PARLIAMENTARY DEBATES

(HANSARD)

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HOUSE OF COMMONS

OFFICIAL REPORT

THIRD SESSION OF THE FIFTY-FIRST PARLIAMENT
OF THE UNITED KINGDOM OF GREAT BRITAIN
AND NORTHERN IRELAND
FORTY-FOURTH YEAR OF THE REIGN OF
HER MAJESTY QUEEN ELIZABETH II

SESSION 1994–95

COMPRISING PERIOD
3 July—19 July 1995

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THE
PARLIAMENTARY DEBATES
OFFICIAL REPORT

IN THE THIRD SESSION OF THE FIFTY-FIRST PARLIAMENT OF THE UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND
[WHICH OPENED 27 APRIL 1992]

FORTY-FOURTH YEAR OF THE REIGN OF
HER MAJESTY QUEEN ELIZABETH II

SIXTH SERIES **VOLUME 263**

FOURTEENTH VOLUME OF SESSION 1994–95

House of Commons

Monday 3 July 1995

The House met at half-past Two o'clock

PRAYERS

[MADAM SPEAKER *in the Chair*]

Oral Answers to Questions

TRANSPORT

Network South Central

1. **Lady Olga Maitland:** To ask the Secretary of State for Transport what representations he has received from passengers regarding services on Network South Central. [30115]

The Secretary of State for Transport (Dr. Brian Mawhinney): My Department has received 28 representations this year about services on Network South Central.

Lady Olga Maitland: I thank my right hon. Friend for his reply. Is he aware, however, that commuters in my Sutton and Cheam constituency are angry, frustrated and tired of the embarrassing service that they are receiving? They complain of delays, overcrowded trains and unintelligible announcements. When I spoke to the director of customer relations on their behalf, he would not accept my complaints. Has not the time come to privatise British Rail, and give commuters the service that they want?

Dr. Mawhinney: I certainly agree with my hon. Friend's last point. I know that there have been difficulties on that line, and that my hon. Friend has—as is her wont—represented her constituents assiduously. I am aware that her constituents have also experienced difficulty in gaining access to proper information. As I think that she knows, I set great store by making as much detailed and accurate information as possible available to passengers.

Rail Franchises

2. **Mr. Hoon:** To ask the Secretary of State for Transport what is his Department's policy in relation to British Rail being invited to tender for rail franchises. [30116]

The Minister for Railways and Roads (Mr. John Watts): Under section 25 of the Railways Act 1993, the franchising director has the discretion to exclude the British Railways Board or any wholly owned subsidiary of the board from tendering for rail franchises.

Mr. Hoon: The Prime Minister says that Conservative Members of Parliament should vote for his sound management, his years of experience and, above all, his track record. Why do those principles not apply to British Rail's tendering for franchises?

Mr. Watts: The franchising director has decided that British Rail should not be allowed to bid for the first three franchises. He fears that other bidders would be deterred if British Rail were allowed to bid. I emphasise, however, that British Rail management teams—to which I think that the hon. Gentleman was referring—will not be excluded. Indeed, a number of management and employee teams have expressed an interest in becoming franchisees.

Sir Alan Haselhurst: Has not my hon. Friend made the exact point that, if British Rail is allowed to bid for each and every one of the franchises, the management teams will effectively be precluded from so doing—thus denying the possibility of innovative approaches?

Mr. Watts: My hon. Friend is entirely right.

Mr. McLeish: Is it not a scandal that British Rail should be excluded from seeking franchises on political

grounds? More important, does the Minister accept that his policy of ensuring that 51 per cent. of train operators held franchises by May is now in tatters? Will he concede that, having spent £1.25 billion on privatisation, the Government have not managed to bring any of the train operators into the private sector? When will the Minister give up this meaningless exercise—or must we wait until the Secretary of State has been moved to another Department before someone will have the guts to abandon this crazy, lunatic idea?

Mr. Watts: The answer to the last part of the question is never. I would never wish to abandon a policy that I believe would be of benefit to passengers and freight users. I must emphasise to the hon. Gentleman that there is no political involvement in those decisions. Indeed, my right hon. Friend the Secretary of State is specifically prevented from giving the franchising director objectives, instructions or guidance on the exercise of his powers under section 25 of the Railways Act 1993.

Northern Line

3. **Mr. John Marshall:** To ask the Secretary of State for Transport if he will make a statement about investment in the Northern line of London Underground. [30117]

The Minister for Transport in London (Mr. Steve Norris): Prospects for the Northern line have rarely looked better. Angel station has been completely rebuilt at a cost of £72 million, and London Underground is currently renovating 10 stations at the southern end of the line. The entire fleet of trains is being replaced under the private finance initiative, with the first train entering service in the middle of next year.

Mr. Marshall: I thank my hon. Friend for that answer and I look forward to having a glass of champagne with him on the first new train next year. Will he allow London Underground to discuss with private entrepreneurs the possibility of using the private finance initiative to improve signalling and the track, and to introduce automatic ticket barriers on the Northern line?

Mr. Norris: I congratulate my hon. Friend on his consistent and persistent support of the campaign to improve the Northern line on behalf of his constituents. He knows that I could not possibly help myself to a glass of his champagne as London Transport has a no alcohol policy, to which of course I would want to adhere. That notwithstanding, he is right. Now is the time that we should be considering how we can apply the principles of the private finance initiative to other sectors such as signalling and power supply, as well as the successful deal on trains.

Ms Glenda Jackson: I welcome the Minister's reply about the southern end the Northern line, but he must be aware that Hampstead is the deepest station in the whole network. When can we look for improvements at the northern end of the Northern line?

Mr. Norris: I shall not be doing anything to raise Hampstead station, if that is what the hon. Lady is implying. At the southern end, as she knows, we are improving stations that are not in a satisfactory condition. I welcome her support for the idea that we might get the private sector involved in some renovation work north of the Thames, as there is no doubt that that has proved an extremely lucrative way in which we can improve the system, for the benefit of passengers. I am delighted to have her support.

Transport Policy

4. **Mr. Robathan:** To ask the Secretary of State for Transport what proposals he has to encourage passenger and freight traffic to switch from road to rail. [30119]

Dr. Mawhinney: Privatisation will bring improvements that will make railway passenger and freight services more attractive to customers.

Mr. Robathan: I am grateful to my right hon. Friend for that answer. Does he agree that the past 45 years of the nationalised rail network have been years of decline in which freight has been deterred from using railways and pushed on to roads? Will he urge operators when they come forward to win back the business from the Royal Mail, the newspapers and innumerable other operators who send their freight by road instead of by rail because it has been so inefficient?

Dr. Mawhinney: My hon. Friend is right that, in the past 40 years, there has been a relative decline in the amount of freight moved by train. In 1953, 24 per cent. of goods were moved by train; today the figure is 5 per cent. and falling, but my hon. Friend, and I suspect the whole House, will take encouragement from a survey recently conducted by the rail freight group, which considered current, former and potential rail freight users. It received 83 responses. Two thirds of those who responded expected to increase the use of railways for the moving of freight, and more than half of non-users thought that they were more likely to use rail now than in the past. Those are encouraging statistics and underline the importance of moving the freight railway from the public to the private sector.

Mr. Tyler: Can the Secretary of State clear up a mystery? He will, I think, agree that one of the principal reasons, particularly at this time of year, for trying to reduce the amount of road traffic and to move it on to rail is to reduce atmospheric pollution, especially for the considerable number of asthma sufferers. During the debate on the Environment Bill, the Minister for the Environment and Countryside said that powers were available to the Secretary of State for Transport to reduce the amount of traffic, to reduce speeds and even to close roads where atmospheric pollution had reached a danger point for asthma sufferers. Will the Secretary of State confirm that he has such powers, explain how he intends to use them, and tell us what opportunities he would offer to local authorities to use such powers as well?

Dr. Mawhinney: I think that the hon. Gentleman is referring to road safety regulations, which are very complex—certainly legally complex. I suspect that both of us think that there may be a case for trying to find an easier way through that particular issue, as quickly as possible.

Mr. Sumberg: If my right hon. Friend wants to move freight from road to rail, may I give him a piece of advice from my area? I suggest that he abandons the disastrous M62 relief road, which is causing havoc in my constituency, and where the management by his

Department of the houses that it has acquired is little short of disgraceful. Will he abandon that scheme sooner rather than later?

Dr. Mawhinney: I pay tribute to my hon. Friend, who is robust in defending the interests of his constituents, as they and he see them. He will note that a number of alternatives are being explored at the moment. I shall reflect on what he has said as we move forward with those investigations.

Mr. Grocott: If the Secretary of State is serious about transferring freight from road to rail, should he not look urgently at an area of Government policy practised by the Ministry of Defence? At the beginning of the Tory period of Government, no fewer than 40 MOD depots had rail connections to the main line. Half of those connections have since been closed, including the Donington link in my constituency. Is that not a clear illustration of the MOD pursuing an obvious policy of transferring freight from rail to road, and what will the right hon. Gentleman do about it?

Dr. Mawhinney: You will understand, Madam Speaker, that I do not have responsibility for the Ministry of Defence. However, I shall ensure that the hon. Gentleman's remarks are brought to the attention of my right hon. and learned Friend the Secretary of State for Defence.

Mr. Waterson: Does my right hon. Friend agree that there is nothing more likely to discourage a move from road to rail than the annual threat of rail strikes? Does he have any idea whether future rail strikes are likely to have the support of the Opposition Front Bench?

Dr. Mawhinney: I am sure that I am speaking for everyone—at least, all Conservative Members—in saying that any threat of industrial action on the railways cannot be in the interests of the passengers, the industry or those who work on the railways. I should have thought that everyone would have had enough experience of industrial disputes last year to use great caution in the contemplation of similar activities this year—which I sincerely hope will not take place.

Passenger transport in some areas of the country has not recovered from the negative effects of last year's strikes. We need a buoyant, viable rail service that will be attractive to passengers and there is certainly no way in which industrial disputes are likely to aid that process.

Mr. Meacher: We certainly hope that the right hon. Gentleman has learnt his lessons from what happened last year. What is the point of him launching a great debate on transport when there is to be no action at the end of it? How does he expect to achieve a major switch from road to rail when last year, for the first time since the war, there were no orders for new rolling stock, because of privatisation? Investment in the rail network as a whole plummeted by a third in one year to its lowest level for the past 50 years. When will the right hon. Gentleman realise that he is fast becoming the eunuch of the transport world—all talk and no follow through?—[*Laughter.*]

Dr. Mawhinney: I am sorry, Madam Speaker; I know that I am not supposed to laugh out loud at the hon. Gentleman, but it is too great a temptation.

First, I did learn a lesson from last year's strikes—that if there is a strike in the public sector, we can always expect the Labour party to row in behind it. I hope that the hon. Gentleman will think very carefully before he repeats the foolish support that Labour Members gave to that damaging industrial dispute last year.

Secondly, unlike the hon. Gentleman, virtually everyone else in the country—those who take transport seriously—has welcomed the debate. Indeed, I had the opportunity to talk to 700 people at the Sheldonian theatre in Oxford just a couple of weeks ago. I was told that, apart from graduation ceremonies, it was the largest event at the university in the whole of the academic year. People came together to study, debate, discuss and explore the possibilities of transport policy and transport strategy through to the next century.

We know that the hon. Gentleman does not have a policy—he does not have one on railways, on roads or on aviation—so we understand his embarrassment. We are happy for him to continue to sit on the Labour Front Bench and make his rather silly remarks while the rest of us get on with developing a transport policy for the next century.

Vehicle Excise Duty Fraud

5. **Mr. French:** To ask the Secretary of State for Transport what measures are being taken to combat vehicle excise duty fraud. [30120]

Mr. Norris: The number of evaders penalised and revenue recovered from direct enforcement action has been increased in each of the last 10 years. Last year was the best yet, when £46.5 million was recovered from 458,000 evaders.

Mr. French: I am grateful to my hon. Friend for that answer. I congratulate him on the progress that has been made but remind him that there is still a great deal to be done. Constituents of mine regularly produce long lists of registration numbers of vehicles which they know to be untaxed. What is even worse is that when they take those lists to the police, they are told that nothing can be done. May I urge my hon. Friend to arrange constructive talks between his Department and the Home Office to ensure that the problem is cracked once and for all?

Mr. Norris: Yes, I shall certainly draw my hon. Friend's remarks to the attention of the Home Secretary because his point is very serious. We ought to be clear that evasion represents about 4 per cent. of potential revenue. None the less, it is an affront to all those law-abiding motorists who bother to get their VED, and such conduct is quite inexcusable. I am grateful to my hon. Friend for his remarks.

Ms Walley: Why has the Minister not understood that it is a matter not only of tax evasion but of road safety? Is there not a close connection between the number of vehicles, especially heavy goods lorries, that are not only untaxed but unlicensed and the number that are uninsured and illegally operated? Indeed, that connection has been highlighted by the report of the traffic commissioners. When will he introduce powers to confiscate heavy goods

vehicles, which are contributing to the cause of accidents? The Minister did not even take that into account in answering the hon. Member for Gloucester (Mr. French).

Mr. Norris: In the midst of all that, there was—I suppose—at least one semi-serious point, which I am happy to address.

Mr. Meacher: How patronising!

Mr. Norris: It is difficult not to be patronising when faced with such inane contributions from the hon. Member for Oldham, West (Mr. Meacher) and his hon. Friends. The issue of some heavy goods vehicles not being covered by operators' licensing is very serious. I have undertaken, with the illegal operations working party, to look at the whole issue of confiscation. I agree with the hon. Member for Stoke-on-Trent, North (Ms Walley) to the extent that in some cases confiscation may be the only mechanism capable of deterring those for whom the normal framework of the law is clearly irrelevant.

A21

6. **Mrs. Lait:** To ask the Secretary of State for Transport what progress has been made on the plans to upgrade the A21. [30122]

Mr. Watts: Progress is being made. Preparation work is continuing on three schemes to improve the A21. We continue to keep the needs of the route as a whole under review.

Mrs. Lait: I thank my hon. Friend for that reply, even though it will not relieve the distress among many communities along the A21. On Thursday evening, while driving through Lamberhurst, I noticed posters saying "Bypass Now". My constituents who work in Tonbridge Wells are concerned about the economic success of that town because of its poor communications, and Hastings has the 43rd highest level of unemployment in the country, largely due to appalling communications. Can my hon. Friend give any idea of how we will finally address the problem of upgrading the A21 to a reasonable standard?

Mr. Watts: I fully recognise the strategic and economic importance of improving the A21. My hon. Friend took the trouble to explain it to me fully when I visited Hastings earlier this year, when I met local business men. The three schemes being taken forward are the section between the Tonbridge bypass and Pembury bypass, the section between Kipping's Cross and Lamberhurst and the Lamberhurst bypass itself. For the section between Kipping's Cross and Lamberhurst, we are also considering whether interim measures can be taken as part of our network enhancement programme.

Travelcards (London)

7. **Mr. Corbyn:** To ask the Secretary of State for Transport what is his policy in respect of the introduction of competing travelcards in London. [30124]

Mr. Norris: The existing London travelcard is a rightly popular form of ticketing and we are committed to its continued availability. Future developments in ticketing alongside the existing travelcard will primarily be a matter for the transport operators to pursue.

Mr. Corbyn: It is the latter part of the Minister's reply that worries me. Can he confirm now, once and for all, that there will be no establishment of competing travelcards in London, that there will be the maintenance of one travelcard which covers bus, underground and railway operations and that he will tell the rail franchising director that there should be no possibility of introducing any other form of travelcard which limits accessibility to, and interchange between, public transport in London? London's success depends on an integrated transport network and on an overall travelcard to facilitate that.

Mr. Norris: The hon. Gentleman is right. As I said, the travelcard is hugely important. He is also right to say that we would not want for a second to lose it. I hope that he will allow me to say, however, that the idea that we must assume that all ticketing technology is frozen in time is misleading and unhelpful. Stored value ticketing, for example, adds attractive opportunities for London Transport to appeal to people who do not need or want the present travelcard, which is time-limited, but who would like to have stored value in a ticket that they could carry with them to their great convenience. That is the kind of technical development that can sit alongside the travelcard. I say straightforwardly and on the record, because misleading information about the matter is frequently put forward, that we have no plans to water down the present travelcard for we hugely recognise the value that it has for millions of Londoners.

Crossrail

8. **Mr. Lidington:** To ask the Secretary of State for Transport when he expects to lay before the House an order under the Transport and Works Act 1992 to authorise a public inquiry into the crossrail project. [30125]

Dr. Mawhinney: No firm date for an application under the Transport and Works Act has yet been set.

Mr. Lidington: Given the acknowledgement by the Government, by local authorities along the length of the proposed crossrail route and by organisations such as London First and City Corporation, representing the City of London, that crossrail would bring enormous benefits to London and to the whole of the south-east, may I impress on my right hon. Friend the need for urgency in this project? Has he set a date by which the new review, which he has commissioned, of the feasibility of crossrail should be completed and the report given to him and his Cabinet colleagues?

Dr. Mawhinney: It is a matter of record that my hon. Friend has taken a long, detailed and informed interest in the subject, and I pay tribute to him for that. He will be encouraged to know that the study that I have put in place is being carried out alongside the preparation of the application and I have asked for the study to be made available to me before the end of the year.

Mr. Spearing: Does the Secretary of State recognise that the crossrail project, in principle, has cross-party and all-London support? This is not only because 61 of the 66 central London stations would be accessible from a crossrail route, but because the line would run from Heathrow through central London and possibly out to Stansted. Will he confirm that the review that he has commissioned will look at some of the proposals that were not used and that if the Bill procedure proves to be

faster than the order procedure under the Transport and Works Act 1992, that procedure would not be entirely disregarded as the way forward?

Dr. Mawhinney: I understand that there is cross-party support for the scheme and I am grateful to the hon. Gentleman for drawing attention to that fact. I believe that he would agree that we need to look carefully but quickly at the changed circumstances to ensure that any crossrail project that comes forward is well founded and well based. That is what we are seeking to do at the moment.

Mrs. Gillan: My right hon. Friend will know how important the crossrail project is to my constituency. Has he had an opportunity to look at the research that has been produced by the Centre for Economics and Business Research, which estimates that the project will create 20,000 long-term jobs and will add £1 billion to the gross national product? Can my right hon. Friend hasten the project, and make sure that it does not remain on paper but becomes a reality?

Dr. Mawhinney: I must be careful in responding to my hon. Friend—whose points I well understand—because I will have a quasi-judicial role later in the process if crossrail proceeds. I understand the economic importance that is attached to the project. On the other hand, my hon. Friend will recognise that, if and when the project goes forward, it must do so on a solid basis so that we can look forward to crossrail adding the benefit and value that all of us would wish to see.

British Rail

9. **Mr. John Evans:** To ask the Secretary of State for Transport when he next expects to meet the European Commissioner for Transport to discuss European subsidies to British Rail. [30126]

Mr. Watts: There is no scheduled meeting to discuss subsidies.

Mr. Evans: Will the Minister confirm that the Government have been forced to repay the millions of pounds that they received from the European Union to implement major improvements in the British Rail network? Does he feel that obtaining money by that method is almost obtaining money by false pretences? Is that not another nail in the coffin of the privatisation of British Rail?

Mr. Watts: No, no and no.

Mr. Tredinnick: If my hon. Friend meets the Commissioner to discuss the subject of subsidies, will he consider the importance of the midland main line to Leicester? Now that the channel tunnel rail link is to go to St. Pancras—extensive and expensive works are to take place there—has not the time come for a greater emphasis on the development of the midland main line, which is vital to all those who live in Leicestershire and beyond?

Mr. Watts: It is, of course, good news for Britain and the areas that have benefited in particular that the railways have obtained grants totalling £150 million during the past 10 years. My hon. Friend is right to say that the railways will still be eligible for such grant aid after privatisation. He will know that the channel tunnel rail link and the west coast main line upgrade are key projects identified by the Christophersen group for priority in funding the under-the-Thames programme. Perhaps consideration will be given in the future to the midland main line, as my hon. Friend suggests.

East London Line

10. **Mr. Dowd:** To ask the Secretary of State for Transport when he expects London Transport underground services to resume on the East London line. [30127]

Mr. Norris: London Underground has applied for listed building consent to strengthen and waterproof the tunnel carrying the East London line under the Thames between Rotherhithe and Wapping. The timing of the reopening of the line will depend on the progress of the application.

Mr. Dowd: Is it not the case that the decision of the Secretary of State for National Heritage to list the tunnel the day after it was closed for refurbishment has meant that the application for listed building permission has had to be submitted? The Minister will be aware that the East London line is the only tiny connection that the people of south-east London have with the London underground network. Will the Minister—within the limitations of his powers—prevail upon the Secretary of State for the Environment to make the earliest possible decision on the listed building consent for the tunnel, so that those of us in south London can have what little of the underground network that we have restored to us?

Mr. Norris: I am happy to acknowledge the hon. Gentleman's campaign on behalf of his constituents, and the great interest that he has shown in the progress of the East London line. I am keen that my right hon. Friend the Secretary of State for the Environment should be aware that, above all, the East London line is a railway that connects people with jobs and families with families. That should not be forgotten while we discuss the merits and demerits of the listing application.

Cowden Crash Inquiry Recommendations

11. **Mrs. Dunwoody:** To ask the Secretary of State for Transport what funding his Department intends to make available to enable British Rail and Railtrack to carry out the recommendations of the inquiry into the Cowden crash; and what estimate his Department has made of the cost of those recommendations to British Rail and Railtrack. [30128]

Mr. Watts: British Rail and Railtrack are evaluating the inspector's recommendations, some of which require programmes of research.

Mrs. Dunwoody: Since the Secretary of State—along with everything else that he is junking—has announced that he is not interested in progressing with the advanced train protection scheme, and since the inspector said specifically in the report that the installation of such a system would be a minimum requirement in all new trains, how can the Minister seriously come to the Dispatch Box and pretend that the Government are interested in the safety of those who use the railways?

Mr. Watts: On the contrary, my right hon. Friend announced in March that he had accepted in full the advice on ATP from the Health and Safety Executive and that British Rail and Railtrack would put in train further

development work on alternatives to ATP, which could deliver some of its benefits. It was also accepted that ATP should be an integral feature of all high-speed lines and that careful consideration should be given to including it in any major resignalling. The hon. Lady is simply wrong.

Mr. Meacher: Further to my hon. Friend's question, when will the Government implement the recommendations of the Cowden inquiry inspector and of the Hidden committee report on the Clapham crash six years before, that, as a minimum, all new high-speed railways should be fitted with some form of ATP? Is he aware that the installation of an ATP system covering the busiest 30 per cent. of the rail network, and thereby 80 per cent. of passenger miles, could have saved dozens of lives in the past five years, at a cost of less than half of what the Government spent in the same period on promoting rail privatisation? When are the Government going to be more interested in promoting rail safety than in partisan dogma?

Mr. Watts: The hon. Gentleman is as wrong as his hon. Friend the Member for Crewe and Nantwich (Mrs. Dunwoody), both in his figures and his assertions. My right hon. Friend the Secretary of State will be receiving a progress report from the Health and Safety Executive on the development work being undertaken into systems to deliver some of the benefits of ATP. As I said in my reply to the hon. Lady's initial question, it is already accepted that advanced train protection will be an integral part of all new high-speed rail links, such as the channel tunnel and the west coast main line upgrade.

Transport Facilities (London)

12. **Mr. Tony Banks:** To ask the Secretary of State for Transport what proposals he has to improve transport facilities in London. [30129]

Mr. Norris: We shall continue to work in partnership with local government and the private sector in delivering the on-going programme of carefully targeted road improvements and traffic management measures, allied to very heavy investment in public transport.

Mr. Banks: One of the things that could be done to improve movement around London would be the greater co-ordination of all road works. Why are bridges still being closed without any apparent co-ordination? Can we have an assurance that, in the event of the Conservative leadership election going to a second round, there will be co-ordination of all road works associated with the installation of new telephone lines by British Telecommunications, so that the whole of Westminster is not turned into a large building site?

Mr. Norris: The trouble is that that question is long on rhetoric and short on specifics. The reality is that there is indeed a group to co-ordinate road works, and bridge works in particular. The hon. Gentleman is right in saying that bridges are vital, in the sense that they concentrate traffic into narrow corridors. Whenever there is the prospect of more than one bridge being repaired at any one time, there is an extensive programme of co-ordination.

I recently heard the figure of 30,000 utility diversions in one borough alone mentioned in respect of the huge number of utility adaptations, including cabling and so forth, which are very much in evidence at the moment. I share the hon. Gentleman's frustration, but all the boroughs and the Department take the matter very seriously.

Mr. Brooke: Granted that the reputation of the Department would stand even higher if there were greater stability and predictability for its public expenditure forecasts for London Transport, will my hon. Friend accept the gratitude of some London Members for the fact that the Department has begun to repair the investment deficiencies that occurred when London Transport was under the London county council and the Greater London council?

Mr. Norris: I am grateful to my right hon. Friend because he makes an extremely important point. On 1994 prices, investment rose above £150 million only in the mid-1980s and now stands at somewhere around £1 billion a year in London Transport infrastructure alone, along with a heavy programme of investment in railway and road infrastructure. My right hon. Friend is absolutely right to contrast that with the dismal record of previous Administrations. We need take no lessons from the Opposition on the amount that we have invested in transport infrastructure in London.

Air Service Agreement

13. **Mr. Wilkinson:** To ask the Secretary of State for Transport whether he will make a statement on progress in air service agreement talks between the United States of America and the United Kingdom. [30130]

Dr. Mawhinney: The UK and US Governments reached agreement on 5 June on a package of new opportunities for UK and US airlines. We have already started work on the next stage of negotiations with the aim of opening up further opportunities.

Mr. Wilkinson: May I tell my right hon. Friend how satisfactory it is that he was able to reach that agreement on 5 June? Will he make it clear to the House that he and Her Majesty's Government refuse to be browbeaten by Transport Commissioner Kinnock, who is attempting to bring European Court actions against nations that have rightly maintained their entitlement to negotiate independent national air service agreements with other countries?

Dr. Mawhinney: I am grateful to my hon. Friend. Like him, we attach considerable importance to our bilateral negotiations with the United States over many years, which recently proved to be fruitful and on which we intend to build. I insisted at the last Transport Council meeting two weeks ago, before Commissioner Kinnock could carry forward his proposals, that the Council of Ministers' requirement dating back to 1993 should be carried out. It requires the Commission to undertake a study to demonstrate whether it can negotiate on behalf of member states and whether to do so would be advantageous to member states rather than to countries negotiating bilaterally. It also requires the Commission to establish common interest, which would be difficult given that the United Kingdom has 40 per cent. of transatlantic travel and Luxembourg has 0.02 per cent. I am sceptical about whether the Commission will be able to make speedy progress in that regard. In the meantime, I shall continue to defend and advance UK national interest in bilateral discussions with the United States.

DUCHY OF LANCASTER

Citizens Charters

28. **Mr. Harry Greenway:** To ask the Chancellor of the Duchy of Lancaster what further charters, and in what areas, he is proposing; and if he will make a statement. [30146]

The Parliamentary Secretary, Office of Public Service and Science (Mr. John Horam): New charters for further and higher education in Northern Ireland will be published later this year, as well as revised charters for court users, people passing through customs points, and NHS patients in Wales. A revised charter for council tenants was published in June.

Mr. Greenway: May I ask for a charter for council tenants and all council tax payers so that they have protection against councils like Ealing council, which is Labour-controlled, as you will know, Madam Speaker? If tenants and council tax payers owe council tax, Ealing council sends them reminders and within a week or a month of their having paid, they receive summonses and repeat summonses. Somebody who came to my surgery last Friday had had 10 summonses for taxes that had already been paid, and that person was over 90.

Mr. Horam: I assure my hon. Friend that the new council tenants charter sets out clearly the rights of council tenants, and tenants in Ealing should appeal if they feel that they are being disadvantaged. On the general performance of Ealing council, the indicators published by the Audit Commission will have revealed the position all too clearly.

Mr. Henderson: The Minister will be aware that a number of charges have been made about charters being gimmicks. Is he aware that, by extending charters as he has announced this afternoon, he may further be accused of concentrating on gimmicks? Is he further aware that many people want a toughening of existing charters, for instance in the health service? Currently, no one appears on a waiting list until he or she meets a consultant. Would it not better reflect what is happening if the waiting list count were measured from the time that a person met his or her doctor? Given that the Duchy of Lancaster is providing short-term cover in Wales, will he introduce that system during the time that he is covering for the previous Secretary of State for Wales?

Mr. Horam: I am glad that the hon. Gentleman continued with the second half of his question because I thought for a moment that the Labour party was exercising yet another U-turn and backing off from its general support for charters. So far, it has been extremely helpful. I am encouraged by the toughness of the second part of the hon. Gentleman's remarks.

Science Education

29. **Mr. Hawkins:** To ask the Chancellor of the Duchy of Lancaster what plans he has further to extend scientific education (a) for schoolchildren and (b) for the population at large—correcting the Table Office's typographical error, Madam Speaker. [30147]

The Chancellor of the Duchy of Lancaster (Mr. David Hunt): I am always willing to discuss a wide and varied agenda with my hon. Friend, but I do draw the line at wide and varied gender.

The answer to the question of course is that we shall do whatever is necessary to capture the imagination of children and the population at large to the excitement of science, engineering and technology.

Mr. Hawkins: I thank my right hon. Friend for that answer. The Table Office had erroneously tried to transfer that question to the Secretary of State for Education, as it did with the later question from my hon. Friend the Member for Stamford and Spalding (Mr. Davies), which I think explains what happened there. I thank my right hon. Friend for his—[HON. MEMBERS: "Get on with it."]

Madam Speaker: Order. The Table Office does not transfer questions; Ministers do. The hon. Gentleman should not attack Officers of the House who do not have a platform to answer back.

Mr. Hawkins: I am grateful for your guidance, but may I thank my right hon. Friend for the support that he is giving to scientific education? My right hon. Friend knows that I have a strong commitment to that because it is crucial—and I am sure that he agrees—that we are able to compete internationally. Unless the schoolchildren of the future have a very good scientific education, we shall be handicapped in competing with the Germans, the Japanese and the Americans.

Mr. Hunt: I agree with my hon. Friend that that does revolve around competitiveness. That is why I was pleased, on 22 May, to publish, at the same time as the competitiveness White Paper, the technology foresight steering group report, which set out that we shall need to find the future scientists who will discover the cures for diseases to which there is as yet no solution or cure. They will have to find the motor vehicle of the future. Many exciting challenges lie ahead, and we must ensure that we are ready, willing and able to meet those challenges.

Mr. Battle: What a complacent response. Is the Minister aware that many 16-year-olds at school are turning their back on science, especially in England and Wales? Is he aware that degree applications for science subjects are down this year for this year's entrants—physics down 3 per cent., environmental sciences down 6 per cent., general engineering down 18 per cent. and electronic engineering down 74 per cent.? What will the Government actually do to sort out that science gap for 16 to 18-year-olds?

Would it not be timely to consider the model of the Scottish education system, for example, to introduce a broader curriculum for 16 to 18-year-olds to ensure that all youngsters throughout Britain have a better understanding of science and a chance to take science further?

Mr. Hunt: The hon. Gentleman ignores—I think that he acknowledged that indirectly—the fact that we have ensured that all children now study science up to the age of 16, under the national curriculum. As for 16 to 19-year-olds, he will be aware of Sir Ron Dearing's review, which is currently taking place.

Civil Servants

30. **Mr. Jenkin:** To ask the Chancellor of the Duchy of Lancaster how many civil servants the Government or their agencies now employ; and what was the equivalent figure in 1979. [30148]

Mr. Horam: The number of civil servants is 516,100 today, and it was 735,400 in 1979—a reduction of 30 per cent.

Mr. Jenkin: May I congratulate my hon. Friend and the Government on the very substantial reduction in costs that that entails, but what is the next step for all the next steps agencies, which continue to employ a large number of people? Would it not be sensible, as they are market-tested, that, where they are successful, they are given the opportunity to transfer to the private sector and become businesses in their own right?

Mr. Tony Banks: Lucky they don't market-test you lot.

Mr. Horam: The question of privatisation is considered when a next steps agency is set up. We then, under the existing procedures, have a period of five years before that question can be considered again. None the less, I can assure my hon. Friend that that timetable will be adhered to, and that any question of privatisation for a next steps agency will be thoroughly examined.

Mr. Dalyell: May I ask a question of which I have given notice to the Department?

Mr. Foulkes: How did my hon. Friend know that he was going to be called?

Mr. Morgan: Tam Dalyell's charter.

Mr. Dalyell: I am sorry; this is a very precise question, which is worrying people in the Scottish Office. Is it quite proper that Mr. Gregor Mackay, an official of the Scottish Office, paid out of the public purse, should work in the office of one of the candidates for the leadership of a political party? Is there not some argument for having a code of conduct and making these things very precise?

Mr. Horam: I am grateful to the hon. Gentleman. Indeed, there is a great deal of point in having a code of conduct. There is, in fact, a code of conduct which makes it plain that people should not indulge in party political activities when they are paid from public funds. The gentleman about whom the hon. Gentleman is concerned is on leave at the moment.

Science Education

31. **Mr. Quentin Davies:** To ask the Chancellor of the Duchy of Lancaster what plans he has to encourage more students to take science subjects at university and college. [30149]

Mr. David Hunt: We support initiatives to bring real life scientific challenges to the classroom.

Mr. Davies: Does my right hon. Friend share my concern that so many science graduates choose a career outside science and technology so that their talents and education are lost both to the advancement of knowledge and to the research and development effort, on which ultimately so much of our economic future depends? Do the Government have any specific ideas on how we can enhance the status and rewards and, therefore, the attraction of a career in science and technology?

Mr. Hunt: I agree with my hon. Friend. We always seek to promote better career opportunities for scientists, engineers and technologists. I hope that everyone in the House will have the opportunity to visit the women in science exhibition in the Upper Waiting Hall, which my hon. Friend the Parliamentary Secretary, Office of Public Service and Science opened this morning, when he was able to announce that the Government are doubling their financial contribution towards the Dorothy Hodgkin fellowships.

Duchy Benevolent Fund

32. **Mr. Pike:** To ask the Chancellor of the Duchy of Lancaster what financial resources will be available in the Duchy benevolent fund for distribution during the current year. [30151]

Mr. David Hunt: Approximately £215,000.

Mr. Pike: Does the Chancellor recognise that part of the money that is left by people who are intestate ultimately goes to the benevolent fund and part of it is used for running the magistracy in the county? Would it not be more appropriate for all the money to be used by the benevolent fund? As I am sure the right hon. Gentleman will be aware, there are many good purposes to which the money can be put.

Mr. Hunt: I am not a trustee of the Duchy benevolent fund, but I know that the trustees donate all the income which is received from investments. Last year 88 per cent. of the money donated went to charitable causes in the Duchy. I recall that the hon. Gentleman wrote to me in April about help for the Burnley Alliance silver band. I am delighted to say that a grant of £800 was made to the junior section of the band for a purchase of a new flugelhorn. I am delighted on this occasion to blow the hon. Gentleman's trumpet for him.

Dame Elaine Kellett-Bowman: May I ask my right hon. Friend to relay to those who run the Duchy benevolent fund the thanks of many thousands of people for the great care and attention to detail which they give to every application that is made to that excellent fund, which is special for the people of Lancashire?

Mr. Hunt: I am delighted to hear the authentic voice of Lancashire. I shall convey to all those involved the praise of my hon. Friend.

Science Week 1996

33. **Mr. Evennett:** To ask the Chancellor of the Duchy of Lancaster what plans he has to encourage further involvement from broadcasters and the media in Science Week 1996. [30153]

Mr. David Hunt: I was delighted with the outstanding coverage of Science, Engineering and Technology Week 1995 and I am determined that the 1996 week should be even bigger and better.

Mr. Evennett: I thank my right hon. Friend for his reply. Does he agree that science is vital to our national interest and is an exciting subject in itself? Will he continue to press the media, particularly the BBC, to put out more programmes on science and technology and to make them more exciting, fun and interesting for the general public?

Mr. Hunt: Yes. I recently had a meeting with the BBC at which I met John Birt and Alan Yentob, both of whom

were delighted with the success of the Science, Engineering and Technology Week 1995. They have already promised their full support for the 1996 week. I take the opportunity to congratulate "Tomorrow's World" on its 30th anniversary last month. It does a great deal to promote public understanding of science, engineering and technology.

Mr. Skinner: I wonder how the right hon. Gentleman is at doing arithmetic. If somebody in the ballot tomorrow gets 190 votes and another gets 70, can he tell us whether the one who gets 190 votes will stand his ground and keep his job?

Mr. Hunt: If I were to answer that mathematical hypothetical question, I would say quite clearly to the hon. Gentleman that my right hon. Friend the Prime Minister will have a decisive victory tomorrow. As for the other implication behind the hon. Gentleman's question, progress in arithmetic under this Government has improved considerably, and I know that, as a result of the past 10 years, even the hon. Gentleman can do joined-up handwriting.

Sir Giles Shaw: Will my right hon. Friend congratulate those involved in the Science, Engineering and Technology Week? Looking forward to next year, will he assure the House that contributions to that event by local firms are as essential as those made by the media? What steps is he taking to develop further links with chambers of commerce so that they can plug in and make SET Week even more successful than it has been before?

Mr. Hunt: I agree with my hon. Friend. If we are to make a great success of Science, Engineering and Technology Week 1996, we must involve small and medium-sized enterprises. In view of my hon. Friend's intervention, I shall consider how best to do that. I shall seek out chambers of commerce, training and enterprise councils and, through business links, all firms, so that they can play a positive part in SET 1996.

Citizens Charters

34. **Mr. John Evans:** To ask the Chancellor of the Duchy of Lancaster what plans he has to introduce further citizens charters during 1995; and if he will make a statement. [30154]

Mr. Horam: A number of new and revised charters have been issued this year. We are also encouraging the production of local charters. Thousands of organisations, including surgeries, hospitals and police forces, have already produced their own charters which reflect the needs of the local user.

Mr. Evans: Can the Minister confirm that citizens charters were originally introduced to give the voters more power over politicians and bureaucrats? Does he recognise that the unseemly battle taking place among 329 Conservative Members of Parliament to elect the next Prime Minister is a negation of all those charters' principles? Why does he not recognise that the people do not want any more charters but a general election now?

Mr. Horam: I am afraid that there are no charters that apply to activities inside the House; perhaps there should be.

Mr. Fabricant: If people do not recognise that charters are achieving something, why is it that the French, Germans and Americans are starting to copy our system? Why is it that the only people who knock the system are the Opposition? They do so only because they did not think of it first.

Mr. Horam: My hon. Friend makes a valid point. One of the first things that President Chirac did on taking office was to introduce a citizens charter. Well done, President Chirac.

Mr. Winnick: Is not there a case for introducing charters for political and personal courage? If so, does the Minister agree that the ex-Secretary of State for Wales would receive that charter for having the guts to resign from the Cabinet in order to stand for the current leadership ballot? The President of the Board of Trade and the Employment Secretary, though they are desperate for the job at No. 10, simply do not have the guts to do what the right hon. Gentleman did.

Mr. Horam: I doubt whether that will influence many votes in that particular election.

35. **Mr. Mark Robinson:** To ask the Chancellor of the Duchy of Lancaster by what mechanisms the Government measure the success of the citizens charters. [30155]

Mr. David Hunt: Various.

Mr. Robinson: I thank my right hon. Friend for his splendid answer. Does he agree that one measure of success is the fact that there are more than 2,000 nominations for the charter mark currently in the pipeline, and which he is considering, supported by more than 4,000 individuals?

Mr. Hunt: Yes. We were expecting 2,000 nominations, so to achieve double that number has been a great success, bearing in mind the fact that in 1992, 296 organisations were nominated; in 1993, 441 and in 1994, 523.

Mr. Barnes: There is a charter that could be measured easily, and which would follow the greatest charter to be introduced, the initial set of charters introduced by the Chartists to extend the franchise. Why can we not have such a charter to deal with the current franchise, because between 3 million and 4 million names are missing from the electoral register? If we put that right there would be an easy way to measure our success, because the more people on the electoral register, the more that register would be judged a success by that particular charter.

Mr. Hunt: That is why we strongly support all campaigns to urge people to register for voting and exercise that vote.

As my hon. Friend the Parliamentary Secretary said, many other countries across the world are following the Prime Minister's initiative of introducing a citizens charter. In May I was discussing this initiative with Vice-President Gore, who has already hailed it as an innovative idea.

Dr. Spink: Does my right hon. Friend accept that one of the measures of success of the charters is national

health service waiting times? Does he accept that, since the introduction of the patients charter in 1991, those waiting times have been dramatically reduced? Before he answers, will he bear it in mind that his right hon. Friend the Secretary of State for Health has just joined him on the Front Bench?

Mr. Hunt: I commend my right hon. Friend the Secretary of State for Health and, indeed, the activities of the Welsh Office in Wales, in constantly taking forward the initiatives under the patients charter. I am delighted that, since the publication of the patients charter, there has been a dramatic reduction in NHS waiting times.

36. **Mr. Foulkes:** To ask the Chancellor of the Duchy of Lancaster how many charters currently exist; and what plans he has to extend them into other areas. [30156]

Mr. Horam: There are currently 40 charters. New and revised charters are being introduced during the course of this year, and also many local charters.

Mr. Foulkes: Does not the Minister realise that when I was sitting, fuming, in a traffic jam the other day I realised that by far the greatest of the Prime Minister's achievements was not the charters, but the cones hotline? How much has the cones hotline cost? How many phone calls have there been to it? What great, new initiative will replace, challenge and equal the cones hotline if the Prime Minister is returned in the ballot tomorrow?

Mr. Horam: In tune with his forceful presentation of the subject, the hon. Gentleman should take a positive view of charters, not carp on about the minor, negative aspects.

Points of Order

3.31 pm

Mr. Gerry Sutcliffe (Bradford, South): On a point of order, Madam Speaker. Has the Secretary of State for Northern Ireland approached you about a statement on the release of Private Lee Clegg? If that is not so, could you give me some guidance? I am Private Clegg's constituency Member of Parliament, but I have not been informed of his release this morning. The Secretary of State for Northern Ireland assured me that Private Clegg would, rightly, be the first to know and, as his constituency Member of Parliament, I would be notified in due course. I understand that this morning other Members of Parliament were phoned individually to be told of Private Clegg's release and that the newspapers also had prior notification. As a Back-Bench Member of Parliament and Private Clegg's constituency Member of Parliament, I wonder if you, Madam Speaker, could help me.

Madam Speaker: I have not been informed that the Secretary of State for Northern Ireland is seeking to make a statement today, but he is a most courteous Minister and it seems that there may well have been an unintended oversight on the part of the Department. I am pleased that the hon. Gentleman has raised the matter in this way as a point of order and I am sure that those on the Treasury Bench will let the Northern Ireland Office know what has taken place. Perhaps an explanation will be given to the hon. Member for Bradford, South (Mr. Sutcliffe) who, as Private Clegg's constituency Member of Parliament, deserves to know what has happened.

Mr. Andrew Faulds (Warley, East): Further to that point of order, Madam Speaker.

Madam Speaker: No.

Mr. Faulds: It is extremely relevant—

Madam Speaker: That is the point—once I have dealt with a point of order, I do not take a further point of order on the subject. The hon. Gentleman's point of order cannot be relevant to the previous one as I have just dealt with it.

Mrs. Anne Campbell (Cambridge): On a point of order, Madam Speaker. Have you had time to look at today's edition of *The Guardian*, which carries a report that the right hon. Member for Wokingham (Mr. Redwood) has retired to his newly acquired Back Bencher's Rooms in the House of Commons to hit the telephones? The implication is that the right hon. Gentleman is hitting the telephones to canvass support for the leadership election. I wonder whether you feel that that is an appropriate use of House of Commons facilities.

Madam Speaker: I am not prepared to comment from the Chair on newspaper reports. However, if it is a point of order for me, I shall look into the matter.

Mr. Faulds: On a new point of order, Madam Speaker. You mentioned the courtesy of the Minister who deals with Northern Irish matters, but I wonder whether that is correct. I wrote to him on 31 January, 29 March and, again, on 25 May and I had no response to my comments on the guilt of Private Clegg until I received a letter off the Board as I came in this afternoon. It was very courteous of him. At the end, he says that when any further developments happen, he will let me know. A development has happened. I have not heard.

Madam Speaker: I stand by my original statement. The Secretary of State for Northern Ireland is a most courteous Minister, both in the duties that he carries out in Northern Ireland and in the way that he deals with hon. Members on both sides of the House. No doubt the Government Whip will make a report of the hon. Gentleman's point of order and some explanation will be given to him.

Opposition Day

[15TH ALLOTTED DAY]

Health Care

3.34 pm

Mrs. Margaret Beckett (Derby, South): I beg to move,

That this House shares with the public, with patients and with health care professionals, growing alarm at the incremental erosion of the public service ethos upon which the National Health Service was founded; rejects the drive to replace the cherished principles of public ownership, co-operation and fairness with private markets, excessive bureaucracy and inequity; calls for a slowing down of the passion for reorganisation; and urges that change in the NHS be based on health arguments, not financial considerations.

Madam Speaker: Order. I have selected the amendment standing in the name of the Prime Minister.

Mrs. Beckett: The debate is taking place at a time when Ministers have been squabbling among themselves, while in the country at large there is concern that the policies that the Government pursue are neither what the country needs nor what its people want. In no area of policy is that shown more clearly than in the health service, where there is growing alarm at the way in which co-operation and fairness in the delivery of health services are being displaced by competition and bureaucracy, and at the way in which the Government openly use the private finance initiative to privatise core clinical services.

There is little doubt that we shall again hear from the Secretary of State not only that the fears that we express are unfounded but that in holding them, the Labour party stands entirely alone. Unfortunately for the Secretary of State, our debate coincides with the annual conference of the British Medical Association. In a sermon on the eve of that meeting, the Bishop of Ripon attacked the Government's so-called reforms for fragmenting the health service and encouraging confrontation within it, and suggested that their dependence on the market and competition struck at the root of the principle of caring.

This morning, Dr. Macara, the chairman of the BMA council, addressed the conference and spoke of the

"dismantling of the NHS—and the creation of a grim game of winners and losers."

Over the weekend yet another senior clinician, the orthopaedic surgeon Professor Colton—who, like all too many doctors these days, is taking early retirement, in his case at the age of 55—said that many of the reforms had more to do with politics than with patient care. He pointed out that he had received a £20,000 bonus for treating fewer patients—in fact, for having had a children's clinic closed for four months because that closure meant that all his patients were treated in times that met the citizens charter targets. He was paid for seeing fewer people. That puts into context the barrage of statistics with which the Secretary of State will no doubt again bombard the House.

Those are not the only voices raised in concern.

Mr. Jacques Arnold (Gravesham): Will the right hon. Lady give way?

Mrs. Beckett: I shall give way in a moment. I am about to come to something very pertinent to the hon. Gentleman.

Some of the criticisms that we make, such as excessive bureaucracy, sweeping and sometimes ill-founded structural and organisational change, have been echoed in the ranks of the Government. The final words of our motion echo the words of the right hon. Member for Wokingham (Mr. Redwood)—and from before he left the Cabinet.

Mr. Arnold: Does the right hon. Lady really mean that she, in order to prove a point, would have been happy for patients' treatment to have been spread out through the year so that they would have had to wait longer? Surely it was in the interest of those patients to be seen early and well within the time scale that has been required by my right hon. Friend the Secretary of State for Health?

Mrs. Beckett: The hon. Gentleman has entirely missed the point. The professor was saying that his clinic was closed; he was not allowed to treat people. As a result of not treating people, the few people whom he did see were dealt with within the Secretary of State's target time. In consequence, he got a £20,000 bonus, which he thought was money misplaced. He saw fewer people than he could have seen had he been allowed to go on treating patients. That is what happens under the Government's reforms. It is not what is supposed to happen.

Mr. D. N. Campbell-Savours (Workington): As the hon. Member for Gravesham (Mr. Arnold) contests the point, and as my right hon. Friend has raised an extremely interesting case, perhaps during the next four hours the Government could inquire about what happened and give us an explanation in the winding-up speech. We would all, including the hon. Member for Gravesham, like to know what happened.

Mrs. Beckett: I am confident that the Secretary of State will be able to explain it to us. It was announced at the weekend, so she will have had the opportunity to make her own inquiries.

I have no doubt, however, that the fundamental direction that the health service would take under the right hon. Member for Wokingham is exactly the policy followed by the Secretary of State. His policy is also privatisation, as he first made clear back in the 1970s when he spelt it out explicitly in a joint publication with Oliver Letwin, and it is a direction confirmed by his record in Wales.

To be fair, the right hon. Gentleman was approaching the medium to long-term project of privatising the health service with rather more political subtlety than the Secretary of State. As he made clear to the Welsh Select Committee, he seems genuinely able to see something that the Secretary of State apparently cannot—that the Government's plans for the health service are going visibly wrong, and he has enough wit to say so.

In the *BMA News* last August, the right hon. Member for Wokingham said—

Dame Elaine Kellett-Bowman (Lancaster): Will the right hon. Lady give way?

Mrs. Beckett: In a moment; I am in the middle of a sentence. The right hon. Gentleman said that he was

"not mad keen to cut hospital beds. It's not politically popular".

I now give way to the hon. Member for Lancaster (Dame E. Kellett-Bowman), who perhaps does not share that view.

Dame Elaine Kellett-Bowman: Is the right hon. Lady aware that the ex-Secretary of State for Wales reduced the number of bureaucrats in the health service in Wales by only 340, which is a smaller proportion than that by which my right hon. Friend the Secretary of State for Health has reduced the number of bureaucrats in the health service in England?

Mrs. Beckett: I am grateful to the hon. Lady. If she will allow me to continue, I am pointing out that there is some contradiction between what the right hon. Gentleman said and what he has done.

Dame Elaine Kellett-Bowman: Absolutely. Down with him.

Mrs. Beckett: I can without difficulty detect that the hon. Lady does not intend to offer her support to the right hon. Gentleman in the contest.

I was pointing out that the right hon. Gentleman has rather more sense than the Secretary of State for Health and knows when to keep quiet. Perhaps even more startling is his apparently unique perception among Cabinet Ministers that it would be

"important not to reduce the number of a beds to a point where there are not enough."

That is an insight which has so far escaped the Secretary of State for Health.

The right hon. Gentleman can see that the Secretary of State's proposals for grand solutions and the closure of popular hospitals are deeply angering the public, something that she apparently cannot see. He is sharp enough to spot that the public are deeply disillusioned with Tory commitments that the NHS is safe in their hands.

The Welsh NHS has not adopted the Secretary of State's star rating system now in place in England because the right hon. Member for Wokingham said that

"quality is very important but it's harder to measure than factors such as numbers treated and cost."

He also believes that tables are crude and simplistic.

As I said, the right hon. Gentleman knows when to keep quiet especially if, by not doing so, he would jeopardise his long-term project, which is also that of the Secretary of State—privatisation of the NHS. Therefore, when the private sector bid for a new cardiac centre at the Morriston hospital in Swansea proved uncompetitive and the bid went to the in-house team, the right hon. Gentleman said nothing, refraining even from reporting the outcome to the House.

In spring 1994, the then Secretary of State for Wales announced that the National Blood Transfusion Service would be market-tested and then, this year, he announced that, on the contrary, it would remain within the Welsh Health Common Services Authority. Sadly, the Secretary of State for Health does not know when she has gone too far. She knows neither when to keep quiet nor when to give way, gracefully or otherwise. Although the right hon. Gentleman can see when the Government are mishandling the NHS debate, there is no doubt that he shares the objective of privatisation, except that he would have undertaken it more quickly and more ruthlessly.

The right hon. Gentleman has railed against the growing number and cost of non-clinical staff in the health service but appointed an accountant to chair the WHCSA. He supports performance-related pay, which would demoralise staff and set one against another. In Wales, as in England, NHS services have already been market-tested, including clinical services such as blood culture management, dental services, pathology and pharmacy. In most parts of Wales, NHS dentistry has been allowed to wither away as it has elsewhere in England and, while the right hon. Member for Wokingham believes that the Secretary of State should keep popular hospitals open in England, he has refused to support the reprieve of what I am told is Wales' most popular hospital—Cardiff royal infirmary—whose services are being run down.

Since 1991, 6 per cent. of acute beds have been lost in Wales, the same percentage as have been lost in England. Since 1992 the number of managers in the Welsh health service has risen from 890 to 1,330. The right hon. Member for Wokingham claims that he would spend more on the NHS, but in 1993-94 the Welsh Office underspent on health to the tune of almost £30 million. In short the right hon. Member for Wokingham is a little less hamfisted in his public pronouncements than his colleagues at the Department of Health, but he is just as committed to the privatisation of the NHS—

Mr. Dennis Skinner (Bolsover): The Secretary of State has said that she would work for him.

Mrs. Beckett: As my hon. Friend the Member for Bolsover (Mr. Skinner) says, no doubt that is why the Secretary of State has said that she would be happy to work with him.

The Minister for Health (Mr. Gerald Malone): Will the right hon. Lady give way?

Mrs. Beckett: No, I will not give way to the Minister. He will have plenty of time to speak later.

The right hon. Member for Wokingham is just as committed to privatisation as he is to the long-term project of ensuring that the NHS no longer provides comprehensive health care for all our people but will instead becomes a small core means-tested service for those who cannot afford any private health care. The Secretary of State and the right hon. Member for Wokingham are clearly at one. It appears that the Tory party is faced with no choice at all.

Mr. Michael Fabricant (Mid-Staffordshire): It is all very well for the right hon. Lady to carp about the health services that are being provided by the Government, but has she set any standards for the number of patients that she would treat if the reforms were carried out? To what extent would waiting lists be reduced? Can the right hon. Lady quantify the result of her intended reforms compared with those that we have already made?

Mrs. Beckett: I am not aware that the Government have ever tried to quantify in advance the results of their changes. I and most people in the health service believe that if the policies that we advocate were adopted as opposed to the ones that the hon. Gentleman and his party support, NHS staff morale would be far better, services would be far better delivered, and patients would benefit as a result. When a Labour Government assess the

[Mrs. Beckett]

delivery of health care, we shall certainly not count finished consultant episodes but we shall count what actually happens in the treatment of patients.

While the Tory party is apparently not faced with any choice, the British people have a stark choice—privatisation under the Conservatives or modernisation of the health service under Labour. Under the Conservatives there have been disasters such as the one described last week by at least one newspaper as a "bloody shambles". That of course refers to the shambles that was caused when operations were cancelled after 15 per cent. of the country's blood supplies were recalled by the National Blood Authority because of a fault in a number of blood bags. As the authority's minutes show, it made a policy decision to buy a proportion of its bags from a new supplier, first and specifically to get them at lower cost and, secondly, to introduce competition to the supply, a policy that the Government are always urging.

The debacle that has followed is alarming in itself but it contains a number of striking ironies. For example, the fault was detected by staff at the centre in Oxford, which is threatened with closure in the reorganisation. Those donors who were called in to provide emergency supplies were called to centres such as that at Brentwood which are also threatened with closure because the National Blood Authority says it does not need them any more. Another irony, which I think is unintended, was contained in remarks by the authority's spokesperson, who said that the incident showed that the authority was right to bring in the new company because it was evidently dangerous to rely on one supplier. But the danger arose as a direct result of bringing in a new company, solely to lower costs and introduce competition.

Last week's problems are not isolated examples. Blood stocks were already low: they had been below the safe recommended level for four days. Stocks of O-negative had been below the safe recommended level for 11 consecutive days. That was a result of the worry and the low morale in the service and among donors following the National Blood Authority's recent proposals. All those problems arose before the most recent problem caused the fresh destruction of stocks.

Mrs. Gwyneth Dunwoody (Crewe and Nantwich): There is clear evidence that, before any decision is made in the House, this quango will proceed with the appointment of a vast number of administrators. Instead of using its existing centres to continue and expand its service, it is causing chaos.

Mrs. Beckett: I share my hon. Friend's view. No doubt she, like me, hopes that the Secretary of State will come to the House before the summer recess to tell us what decisions have been made about the National Blood Authority's proposals, and what progress there has been—and also hopes that the suspicion that has arisen in the service that the Government intend to postpone any announcement until the House has risen for the recess will prove ill founded.

Operations have been cancelled as a result of the problems that we have identified, but that too is not an isolated occurrence. The most recent figures show that the number of cancelled operations rose by 22 per cent. in the last quarter of 1994-95, and that the number of patients not readmitted within a month rose by nearly 50 per cent. Those specific examples of more dramatic problems are only part of a general catalogue of difficulties in the service.

Nor are the moves towards privatisation occurring in isolation. I wonder how many hon. Members have seen brochures such as the one from SMI, which advertises a conference to be held in September this year.

The conference, entitled "Private Finance in Clinical Services", has been called to "assess" the

"moves towards private finance in core and clinical services".

The brochure suggests that the private finance initiative

"involves a complete culture change, creating entirely new markets",

and states that

"Health authorities . . . are about to look increasingly to the private sector . . . to manage pathology and core health services".

I also have a copy of *The Link*, the staff newspaper for the Royal Hospitals NHS trust. It contains an article by the head of financial planning, one Mr. Sanford, who writes about the private finance initiative. He says:

"In all private finance deals the private sector partner will plan to earn enough income from the NHS to make a profit and cover the cost of its investment."

Mr. Malone: What a surprise.

Mrs. Beckett: It is not a surprise to us that the private sector will want to make a profit out of health care; that is why it exists. What we object to is that it should be making that profit, rather than our public and free national health service.

What may, or should, be of rather more interest to hon. Members who care about public finances is that Mr. Sanford also says:

"So often it may be difficult to demonstrate better value for money through the private sector's involvement."

He goes on to suggest a number of ways in which the extra cost of borrowing from the private sector could be offset. His basic pitch is that, whether in laser surgery or pathology, the private sector will hope to cover the initial investment with income from the health service, and to make large profits out of the potential for private patient income. In the case of pathology, however, Mr. Sanford suggests that the private sector would gain through its profit on the sale of tests from a private sector service to NHS hospitals.

So there we have it: a finance director and specialist explains that it may not be possible to demonstrate better value for money from the private finance initiatives being used for clinical services, although they will certainly be used to generate profits. That may be the Conservative party's project, but it is not what the health service needs or what the country wants.

The Government try to pretend that their policies are right and successful, and that there is no alternative. None of those propositions is true. There is an alternative—in public health policy, for example. There appears at first to be some common ground between the Labour party and the Government, in our recognition of the importance of promoting good health rather than merely curing ill health; but, as always with this Government, the policy is flawed. Their first concentration is solely on the individual. It is up to him to eat sensibly, to keep warm in winter, and not to smoke, but the Government refuse to acknowledge their responsibility, the role of public policy, or the harmful effects on health—let alone on the ability of the individual to carry out those exhortations—

of unemployment, bad housing, environmental pollution or poverty. Of course, when it comes to a choice between promoting good health by banning tobacco advertising, and the financial interests of the Conservative party, there is just no contest. A Labour Government would take action at national and local level to tackle such problems, insisting that Government Departments and local authorities alike assess and report on the impact of their policies on health.

We propose alternatives too for health care itself—nothing less than the renewal of health care, national in scope and run as a modern public service, not as a set of individual private businesses. With Labour, the national health service would be a single organisation, its assets owned and its staff employed by the nation. We would replace competition with co-operation, and we see all engaged in the service as partners. Doctors, nurses, professions allied to medicine, accountants, staff, managers, the patients, the public, their representatives—all are or should be health partners in a new health service.

The internal market depends on contracts and on competition. It is divisive, expensive and bureaucratic. We would replace it with a system in which funding came from the Department of Health to health authorities and, through them, to general practitioners and the organisations now known as trusts. That funding would flow to health authorities on the basis of weighted capitation.

The new health authorities will be required to assess the health needs of the population whom they serve, commission care and monitor overall service delivery through comprehensive and long-term health care agreements, covering the range of services required to specified quality and volume within a fixed budget.

Mr. Peter Bottomley (Eltham): I may have misheard, but I think that I heard the right hon. Lady say that everyone in the national health service would be employed directly by the NHS. Does that mean that general practitioners would lose their self-employed status and become salaried family doctors?

Mrs. Beckett: No. What I am saying is that the staff who are employed in hospitals and other trusts would be employed within the NHS, not within individual businesses, as they are at present. I am sure that the hon. Gentleman understood that that was the proposal.

Mr. Keith Mans (Wyre): That is not what the right hon. Lady said.

Mrs. Beckett: If I can correct the hon. Gentleman, who is interrupting from a sedentary position—I am sorry but I have forgotten his constituency—*[Interruption.]* No, I am not worried about it: the hon. Member for Wyre (Mr. Mans) may not be representing it for long. What I said was that all staff will work within the NHS, which they all do.

As these new authorities will have a greater range of responsibilities than the individual bodies that they replace, and as we believe that they should give greater attention to the area and to the policies of public health, we do not believe that it is right for those authorities, as was the case with those that they will replace, directly to manage the services that deliver health care. Although the trusts would cease to be separate businesses, and their assets would be owned by a national health service, with Labour, hospital and other trust services would have day-to-day financial and managerial independence, and would be free to make day-to-day decisions about how they delivered the care commissioned.

The authorities and services would have governing bodies reconstituted to reflect the interests of stakeholders, and within the guidelines of the Nolan committee. They would be reconstituted to include representatives of the health partners—staff, managers, the local community, service users and so on.

The hon. Member for Eltham (Mr. Bottomley) raised the question of GPs. Again, the House will know that we opposed the creation of GP fundholding on the grounds that it fragmented the health service, added to costs and could lead to a two-tier system. All those concerns, I am sorry to say, proved to be well founded in practice.

Fundholding is one end of a spectrum that we find unacceptable, but so is the extreme alternative: a system of health authority commissioning without any consultation or without the involvement of general practitioners or others in primary care. We find both of those extremes completely unacceptable, but between them there is a range of possibilities and models for GP commissioning that could be acceptable.

In the policy document that we published last week, we identified a number of examples of such models being developed at the grass roots by GPs working in concert with their health authorities. We would find many of those varieties acceptable, but there is one absolutely clear bottom line that must be present in every scheme or model, but which is not present in the model proposed by the Government—that what is good about the provision of primary care must be available to every GP and, through him, to every patient.

With Labour, GP fundholding will be replaced by a system aimed to benefit all patients, not just a few. Every GP will have the opportunity to take part in the commissioning of care. Every GP will have the freedom, at present exercised only by fundholders, to refer hispatient to whatever service and for whatever treatment he believes can best provide the necessary care. Those matters are essential to the provision of a renewed health service that will establish and stand by the principles that the British people expect.

In our proposals for health care, we do not seek to turn back the clock—as the Secretary of State, on automatic pilot, automatically assumed and asserted. However, nor do we suggest that the health service can stay as it is, and certainly not that it should continue to head in its current direction towards privatisation.

In our new document, we identify the stark choice before the British people. They can choose a truly national health service, available to all and based on need rather than ability to pay, or they can choose a fragmented collection of health businesses, increasingly dominated and driven by the interests of commerce. They can choose the competition of the marketplace or the co-operation of a single national health service. They can choose between a privatised health service under the Conservatives or a modernised health service with Labour.

This week, the Conservative party is making a choice which is no choice, between two people bound to the same policies. We believe that it is time for Britain to choose and that that choice should be for a new Government and for a new health service in a new century.

4.2 pm

The Secretary of State for Health (Mrs. Virginia Bottomley): I beg to move, to leave out from "House" to the end of the Question and to add instead thereof:

"notes that since the introduction of the Government's health reforms, over one million more patients are treated in hospital every year and waiting times have fallen to the lowest on record; welcomes the Government's commitment to a strong and stable publicly-funded NHS where trusts and general practitioner fundholders are free to build further on these achievements; and condemns the inadequate, inconsistent and incoherent policies of Her Majesty's Opposition, which would destroy the key features of the new NHS, would undermine patients' interests and would throw into reverse the progress of recent years.".

We have just heard a speech of incoherence and emptiness, which was soporific most of the time and which did not adequately answer the questions that the public and the Conservative party wanted the right hon. Member for Derby, South (Mrs. Beckett) to answer.

Dame Elaine Kellett-Bowman: My right hon. Friend is too generous.

Mrs. Bottomley: I apologise for being far too generous.

There was a moment when I wondered whether the right hon. Lady's speech had been drafted in Cowley street, but we moved on from that point. The underlying theme of her speech, apart from her clear and profound discomfort about the health policy that has been foisted on her, was a real loathing of the private sector and the profit motive. The Conservative party knows that only by having a wealth-creating nation can we adequately fund a national health service. The difficulty for the Labour party is that it has never really understood wealth creation and job creation, which provide the fundamental key to a flourishing health service.

Mrs. Dunwoody *rose—*

Mrs. Bottomley: I hope that you, Madam Speaker, will not mind if I make a little progress before giving way.

Last week, the Health Authorities Act gained Royal Assent. That landmark legislation completes the structural reforms for the national health service. It abolishes the regional health authorities and creates fewer, better, all-purpose health authorities at local level to plan the entire range of health services. The Act is the culmination of a long path of health reforms.

The National Health Service and Community Care Act 1990 established the basic geography of the new health service—NHS trusts, general practitioner fundholders and the internal market, all aimed to achieve improvements in performance and efficiency. Underpinning the reforms is the principle that the decision should be taken as close as possible to patients. Underpinning the words of the right hon. Member for Derby, South is the principle of a command and control economy, with everything being decided in Whitehall. The regional health authorities had to go. They represented the last bastion of that old structure so favoured by the Labour party.

National health service trusts have freedom to run their own affairs. They can control their assets, their organisation, and—increasingly—their greatest item of cost: pay. The Labour party claims with every passing soundbite that it does not want to turn the clock back, yet it would strip trusts of those powers. Trust freedoms are not simply abstract concepts: they work for patients.

Since we liberated trusts from the straitjacket of central control, the number of patients treated every year has increased by well over 1 million. *[Interruption.]* It is very interesting that, whenever we talk about the numbers of patients treated, the Labour party loathes it. It dismisses fact and statistics. It simply likes to cobble together newspaper cuttings from the inevitable examples where, from time to time, things do not work as well as they should.

Mr. William O'Brien (Normanton): I am grateful to the Secretary of State for allowing this intervention. Since she is referring to trusts and their work, will she address a situation on 7 June involving a constituent of mine? His doctor applied to admit him to Pinderfields general hospital in my constituency and was told that no beds were available. When a bed was arranged at Dewsbury district hospital, my constituent was told that no ambulances were available. How does the Secretary of State intend to deal with the situation under independent trusts? Will she hold an inquiry to find out why that incident was allowed to occur?

Mrs. Bottomley: If the hon. Gentleman had wanted a detailed answer, he would have given me notice of the question. I shall, of course, come back to him on the detail of that particular case.

There is no health service anywhere in the world where from time to time individual cases are not treated less well than one would have hoped. Nearly always, behind the headlines so sought by the Labour party—food and drink to its debates—there are far more complex and detailed aspects, very often involving confidential information about patients or clinical staff. [HON. MEMBERS: "That is rubbish."] If I may, I shall take, for example, the case of Professor Colton raised in the debate.

The House will have heard about Professor Colton and his decision to spend his time in the independent sector in Switzerland. It was the case that they decided at his clinic not to accept elective, non-urgent cases for a limited period. That was because, at that time, 242 out-patients were waiting a maximum of 56 weeks for treatment. At the end of that programme, 22 out-patients were waiting a maximum of four weeks, and they now offer an orthopaedic service for children, delivering a quality of care of which I, as Secretary of State, am happy to be an advocate. They were quite right to take that necessary short-term decision so that all patients could receive a standard of care.

Labour simply does not care—

Several hon. Members *rose—*

Mrs. Bottomley: No, I will not give way.

Labour does not care about the detail. It simply wants mischievous interpretation. That is only too clear because it is quite unable in any way to undermine evidence that the people of this country now receive a better service than at any stage in the history of the health service.

Several hon. Members *rose—*

Mrs. Bottomley: I am not giving way. I have a short amount of time. *[Interruption.]* The debate is limited, and I gave strict undertakings to my hon. Friends not to over-speak.

Apart from the 1 million more patients treated every year since the reforms, we have also put into the hands of doctors, nurses, managers and staff working in hospitals the ability to slash waiting times overall. The average waiting time is now—

Mr. Alex Carlile (Montgomery): On a point of order, Madam Speaker. Is it the procedure of the House, and therefore in order, tc refuse interventions on the ground of undertakings given only to Members of one's own party?

Madam Speaker: As the hon. and learned Gentleman knows, it is up to the hon. Member who has the Floor to decide whether to give way. It is certainly up to the Secretary of State to determine whether she will take interventions. She appears to want not to do so, but to make some progress for the moment.

Mrs. Bottomley: I have already taken interventions. I noticed that the right hon. Member for Derby, South refused to allow an intervention even from my hon. Friend the Minister for Health.

Mr. Carlile: Will the Secretary of State give way?

Madam Speaker: Order. The hon. and learned Gentleman must not insist; the Secretary of State has made her position quite clear. I shall do my best to call the hon. and learned Gentleman; he may like to make his point then.

Mr. Skinner: He is the only Liberal Democrat in the building.

Mrs. Bottomley: True. I want to proceed with my speech, but I shall try to find time to give way when I have made a little more headway.

Waiting times have been slashed to the lowest levels ever recorded. Clinics that were previously open on a strictly nine-to-five basis now open in the evenings or at weekends. Requests for help that previously met with the slamming of glass partitions are now handled with courtesy and speed. Where once 20 people were given a 9 o'clock appointment and then had to wait all morning, individual appointment times are now the rule.

I must make it clear to the House that survey after survey of the patients who use the NHS endorses their enthusiasm and appreciation of the service they have received, and shows that their confidence in the service is growing. I find it extraordinary that the Labour party, whenever the achievements of health service staff are pointed out, sneers at and denigrates that work.

Mr. Nigel Spearing (Newham, South): Will the right hon. Lady give way?

Mrs. Bottomley: Even more achievements have been documented in the latest figures. In the year to March 1995, the number of patients waiting for more than a year for in-patient treatment fell by a half. That matters to patients. The new figures for out-patient waiting time show that 82 per cent. of patients were seen within 13 weeks, and that 95 per cent. were seen within 26 weeks. We are on course to meet the new patients charter target for out-patient waits that I announced earlier this year. That matters to patients and it is an achievement by the staff.

I can tell the right hon. Member for Derby, South that the league tables coming out later this month will again show that the NHS is becoming ever more efficient and responsive to patients. The Labour party sneers at and denigrates the remarkable document setting out the achievements throughout the country.

Mr. Spearing: Does the Secretary of State agree that what she has just said does not apply to the ambulance service, as is shown by the report from the Select Committee on Health? If, after nine debates in the House, the ambulance service was not provided with what the Government eventually thought was necessary—they had given £5 million extra in 1991, and they gave £14 million extra last year—how can the Secretary of State say that the Government have calculated the real needs of the health service as a whole? If they got it wrong with the London ambulance service after nine debates in the House, how do we know that they will get it right for the country as a whole?

Mrs. Bottomley: Our Government are committed to making information public and available. There has been a transformation in the amount of information that people have on the performance of ambulance trusts and health services throughout the country. It is precisely by making such information available that we can lever up standards.

The hon. Gentleman is, however, right about the London ambulance service; he and I have spoken at great length about that service, and about its long-standing management and trade union problems. My hon. Friends are only too well aware that the London ambulance service is not an NHS trust. It is a sign of old-style health services and not of the way in which we want to manage health services for the future.

The Labour party claims that trusts would remain, but that they would be called local health services.

Mr. Nicholas Brown (Newcastle upon Tyne, East): Will the Secretary of State give way?

Mrs. Bottomley: Is the Labour party really saying that all it has to show for five years of consultation, deliberation, effort and thought is simply a new name? Oh, no: the plan of the right hon. Member for Derby, South is much more sinister than that. She has already told the House that she thinks that trusts are an abomination. The truth behind her document is that NHS trusts would go. The right hon. Lady wants to take away their assets and freedoms. She aches to get back to the old regional health authorities with their web of committees, bureaucracy and grind. *[Interruption.]* The hon. Member for Bolsover (Mr. Skinner) agrees.

The Opposition voted against the Health Authorities Act at every stage, and they voted against the abolition of the regions that will save £150 million on administration to spend on patients. The difference between our parties is that the Labour party would pay the pen-pushers and bureaucrats, while we fund the front-line staff and the managers whom the Opposition never avoid denigrating.

The right hon. Lady should be aware that we know the offence she has caused to many in her party who are public servants working in the NHS as managers, and the work of the right hon. Lady and the leaders of her party in constantly denigrating the achievements of those managers is a subject that every Government Front-Bench spokesman has heard time and time again.

[Mrs. Bottomley]

The right hon. Lady would have national pay, although someone—doubtless from the Leader of the Opposition's office—went over her head and inserted the meaningless words "with local flexibility". No wonder Bob Abberley, whose union Unison helps to pay the right hon. Lady's costs, welcomes her proposals. If the Labour party were ever in government again, it is clear that negotiations with the management side would be extremely difficult, as the management side would have one arm held behind its back by the very people for whose benefit it was negotiating.

Until the Labour party renounces the sponsorships of its Front-Bench spokesmen by the health unions, it will never have any credibility. As for the Labour party's acceptance of research costs being paid for by the health unions, I think that that is an absolute outrage, and the public will increasingly think that also.

One of the advantages of local pay is that it will take pay bargaining out of the national political arena and place it within trusts, closer to patients and focused on patient needs. Staff can and will benefit. Pay and conditions determined according to local circumstances can reinforce teams within trusts. Trusts can design packages for their staff to replace the bewildering array of national terms and conditions that currently exist.

I was pleased that the Royal College of Nursing and the Royal College of Midwives last week accepted the principle of local pay, and they have agreed to start negotiating locally this year. I hope that other unions will see sense and follow their good example, so that we can put this unnecessary dispute behind us.

I am tempted to speculate as to why we are having this debate. Is it the right hon. Lady's chance to put her spin on Labour policies? It must have been galling for the right hon. Lady on Thursday to see her policies being given the soft soap treatment by the Leader of the Opposition. Even as best supporting roles go, I think that the right hon. Lady will be pipped for an Oscar by my hon. and multi-coloured Friend the Member for Northampton, North (Mr. Marlow). Against a delicate pastel background, the Leader of the Opposition put his pastel spin on her policies, but green was closer to the colour with which I would associate the right hon. Lady.

The Labour party has assured us that it will keep the good elements of the Conservative health reforms. Is it turning the clock back? Heavens, no. The Labour party believes in continuity, progress and—above all—nicking good Conservative policies. The Labour party would renationalise the NHS—a meaningless piece of rhetoric. The spectre of privatisation was, as ever, waved about as the last bullet in the Labour party's threadbare locker.

The right hon. Lady made a performance on "Newsnight", where she snapped at the gentle Mr. Paxman that the market would definitely go, and that fundholding would not only go, but would be gone within the year. All day long, the Leader of the Opposition had been cuddling the NHS with his policies of continuity, but after he was tucked up with his Islington cocoa, the right hon. Lady was out of her cage to tear the whole thing apart.

Let us be clear—the right hon. Lady does not think that there is anything good about our reforms. She has been forced into a wholly unconvincing and inconsistent compromise by the Leader of the Opposition. The result is:

"Another fudge. These policies have not been properly thought through. They are spatchcock reactions, plundering what is newly popular while genuflecting to old vested interests".

Mr. Dennis Turner (Wolverhampton, South-East): Redwoodism.

Mrs. Bottomley: The hon. Gentleman says Redwoodism, but those were not my words, or those of my right hon. Friend the Member for Wokingham (Mr. Redwood), but those of Melanie Phillips writing in yesterday's *The Observer*—neither noted for their unswerving support of Conservative causes. Dr. Vernon Coleman, in that other well-known propaganda newssheet for the Government, *The People*, said that the Labour party's proposals made him want to weep.

The right hon. Member for Derby, South is hopelessly trying to have it both ways. She says that she would keep the purchaser-provider system, but would abolish the internal market. Only Labour would try to ride a bicycle that had the right cogs in place, but no chain. What is the relationship between a health authority and a hospital, if it is not a managed and a market relationship? It is hard to find any precise answers in the document, because it promises armies of think tanks, consultation groups and even royal commissions for all the policies and details that the Opposition have been unable to clarify.

The right hon. Member for Derby, South says that Labour wants to give power to general practitioners, but makes it clear that it would abolish within a year the single most effective means of giving them that power—fundholding. She says that Labour would cut bureaucracy, but in place of local, direct management, she wants commissioning committees, a new tier of regional administration, and enhanced powers for the centre to second-guess local decisions. That is not just turning the clock back, but taking it off the wall and jumping up and down on it. Patients would be the losers.

Mr. Campbell-Savours: May I raise with the right hon. Lady a question that is causing me much anguish? Last Friday, I attended a meeting in my constituency of parents whose children are unable to speak properly because of the absence of speech therapy. The meeting was deeply worrying, because teachers said that as many as 20 per cent. of children in schools in my constituency are unable to speak properly because of a row between the health authority and the county education provider.

Those children have a medical condition. Can someone bang heads together and get the local health authority to recognise that it has responsibilities? Those children will probably be disabled all their lives because of an argument that is going on now. The right hon. Lady has it within her power to get the health authority to do something about it.

Mrs. Bottomley: I hope that the House will bear with me if I do not give way to Labour Members again. The hon. Gentleman has a good case, and I will be more than happy to provide him with a detailed examination of it, but the issue is the health authority assessing the need and commissioning care on behalf of the local community, and working with education and often social service authorities.

The point of the reforms and the significance of the distinction between purchasing and provision is that it is being done so that there can be assessment of need and a collaborative approach with other agencies to meet it. I am more than happy to go into further detail, but I will not rehearse the great increase in the number of speech therapists and the improved training and arrangements—I will spare the House those statistics.

The progress of the past few years has been formidable. The Opposition would throw it all into reverse. Fewer patients would be treated, and there would be longer waiting times as staff struggled—in a way that they have no wish to do—to come to terms with the ghastly new world of the right hon. Member for Derby, South, who has ignored the advice that she has received from many of her supporters.

"There is an obvious temptation for Labour to cash in on public concern and promise to undo every change the Tories have made . . . Such a gut reaction should be resisted."

Those are not my words, but those of two health experts, one an adviser to the last Labour Government, writing in the June *Fabian Review*.

Professors Brian Abel-Smith and Howard Glennester went on:

"There is now overwhelming evidence that fund-holders are able to get a better deal for their patients. They can pick those hospitals or departments of hospitals which give their patients a better and more convenient service . . . They can bully specialists about waiting times. They can insist that test results come back quickly . . . Fund-holding represents a major transfer of power from specialists to GPs".

[Interruption.]

Hon. Members: Disgrace. Apologise.

Mr. Deputy Speaker (Sir Geoffrey Lofthouse): Order. I did not hear what the hon. Gentleman said.

Mr. Rhodri Morgan (Cardiff, West): I apologise to the House for any discourtesy. If you, Mr. Deputy Speaker, did not hear my remark, that is all for the best.

My objection was to the idea that GPs can send contracts for all their out-patients to one hospital, as happens in Bath, while the X-rays are in another hospital. Is that in patients' interests?

Mrs. Bottomley: The point was about the leverage that GP fundholders have within the system to deliver better care for their patients. It is for GPs to make those decisions.

Those are precisely the dynamics of the new NHS which the right hon. Member for Derby, South finds distasteful, because they work and deliver improvements for patients, and patients throughout the country know that. The 10,000 GPs or GP fundholders will make their message only too clear to the Opposition.

Naturally, we are working to spread the benefits of fundholding to all GPs. We believe in levelling up, not levelling down, and have been listening to GPs' concerns. We shall make life easier for family doctors by cutting paperwork. We shall spell out the details of our plans shortly, but I can announce to the House today that an estimated 15 million forms a year will go.

On out-of-hours payments, I remind the House that, as a result of our offer, a typical GP would receive an extra £800 a year for an average of six night visits a month. There can be no excuse for family doctors taking action that damages patients. I am, however, sympathetic to their concerns. The criticism or concern that they have raised about the patients charter—not the cynical reaction of the Opposition—relates to the extent to which we need to remind the public of the importance of using the service responsibly rather than calling out GPs inappropriately, keeping appointments and supporting health staff in their work. That is an area in which we can work together and make good progress.

Our task is to realise the potential of the reforms. We must not turn the clock back and throw the whole system into upheaval. We believe in working with staff constructively and practically. We recently announced extra doctors and a 10 per cent. increase in new medical students. I set out many of those issues in a recent speech to the Royal Society of Medicine. I want to see the long-term perspective.

On contracting, we need to develop more sophisticated purchasing patterns. Contracts should be drawn up with imagination and an eye on the future, and not simply replicate the patterns of the past. They should take account of quality, outcomes and how services will improve, not simply cost.

The Opposition fail to understand that the information that we now have about health services, quality, cost and a number of other issues means that we can progressively fashion an innovative, pioneering and evidence-based service. Such a service will be developed on a research strategy, which is increasingly being acclaimed not only here but around the world, as is our "Health of the Nation" strategy.

In her grudging and mean-spirited way, the right hon. Member for Derby, South talked about the importance of improving health, but did not say that we are now marking the third anniversary of our "Health of the Nation" strategy, which the World Health Organisation is using as a model and which the French Government and many health advisers around the world commend. Today, we launched the next phase—a new phase—in the "Health of the Nation" strategy, to target young people. We have much more work to do in that area.

The Opposition simply wish to reorganise, turn the clock back and disrupt all that is taking place within the service.

Change is necessary in the national health service, but that is change that is driven by new medicine—by new science. Day surgery, laser surgery, bio-pharmaceuticals, genetics, information technology: all those and more are stamping their mark on the evolving pattern of health services. But what does the Labour party do? It resists every closure, every change of use, because Labour frequently supports the patterns of the past, not the patterns of the future.

The Opposition speak about the "public service ethos". Of course the national health service must remain publicly funded, but there is scope, as we see through the private finance initiative, to diversify and expand the range of provision without threatening that public service ethos.

Mr. Hugh Bayley (York): The Secretary of State speaks about the Government's record on reducing waiting times, and says that it is important that services for young people should be improved. What would she say to the boy in my constituency whose mother wrote to me to complain that he had waited 20 months for a first out-patient appointment for orthodontic treatment, which

[Mr. Hugh Bayley]

he has now had, but that, if he is to receive treatment, he will have to wait a further 24 months before he receives the orthodontic treatment he needs, for which his general practitioner has referred him to the hospital?

When will the Secretary of State provide the improvement in services for all people—not just young people—that the patients charter promises?

Mrs. Bottomley: That is another individual incident, which I am more than happy to investigate.

The Labour party appears unable to see the wood for the trees. We have a health service that provides everyone with everything, almost without the use of charges. We have some of the best medical research anywhere in the world. We pioneer new services which are comparable with services anywhere in the world.

Our achievement on waiting times is formidable. We used to have 200,000 one-year waiters; we are now down to 32,000 one-year waiters. In the area of the hon. Member for York (Mr. Bayley), we used to have 7,000 two-year waiters when I first came to the Department, six years ago. Now, no one waits more than nine months in the west midlands.

I believe that the hon. Gentleman should commend the fact that the west midlands has gone from 7,000 two-year waiters to a guarantee of nine months, albeit that, with the complexity of delivering the service that we are entrusted to deliver, there will always be aspects where there is more to do. *[Interruption.]*

I apologise to the hon. Member with whom I momentarily confused the hon. Member for York. Be that as it may, I could offer him the figures—*[Interruption.]* Be that as it may, I shall spare him a similar comment about what is happening in York, except to say that the work taking place at the university on the dissemination of reviews—the service it provides and the interest that that is developing throughout the world—provides another example of the way in which we have made the service more fit to meet the future and to tackle the issues, not only of today, but of tomorrow.

One will be able to achieve that only by embracing change—not, like the Labour party, by turning the clock back.

Mr. Brian Sedgemore (Hackney, South and Shoreditch): There is no tomorrow for you.

Mrs. Bottomley: I profoundly reject the Opposition's misleading motion. The NHS is not a business; it is not for profit; it is not for sale. It will remain a service for all the people to use, regardless of their ability to pay. It must be a health service, not only an illness service; a service focused on the individual patient, responding to their needs and influenced by their choices. It must be an innovative service, evidence-based at every level, and an efficient service, providing value for the taxpayer's money. It must be a service with a long-term view, and a public service with strong ethical foundations.

That is precisely what we are achieving by means of the changes that we have set in hand. The Labour party is stuck in the past, and, although it furiously tries to deny it, the health policies that it proposes show that

"old Labour is far from dead and buried".

I say to the hon. Member for Hackney, South and Shoreditch (Mr. Sedgemore) that those are not my words, but those of the *Financial Times*. The Labour party would tear up the key elements of the reforms; it would inflict upheaval and uncertainty on staff; it would rob patients of the benefits they receive under the Government's policies.

The choice is not between private markets and public health; it is between the Conservative party, which wants to modernise the national health service, and the Labour party, which wants to take it back to 1948.

4.34 pm

Mr. Richard Burden (Birmingham, Northfield): I am sorry that the Secretary of State has already fired off one set of statistics about the west midlands in the wrong place. I can explain to her that the west midlands is in a different part of the country from York, although it is a city that I know well.

I should like, with your permission, Mr. Deputy Speaker, to give one illustration of the way in which the national health service internal market has worked. It is from my constituency in Birmingham. It shows graphically how a bureaucratic nightmare has developed in which the buck is passed from manager to manager, trust to trust and authority to authority. The end result is delay upon delay in the development of new NHS facilities. The much-vaunted private finance initiative, which the Secretary of State mentioned in her speech, has only made matters worse.

In my constituency there is a former psychiatric hospital campus called the Rubery-Hollymoor campus. It takes up about 200 acres of land. The hospitals have closed. The regional health authority, or NHS Executive West Midlands, as it will become, decided to sell off the land and develop it. There has been a great deal of controversy about to what extent local people would have a say in the development, and so on. I do not have time to go into that, but I recommend that hon. Members have a look at that story because it is fairly instructive in its own right.

From the beginning it was said that local people would be able to get out of the development a primary health care centre—something that they had demanded for years. They were told that when the land was sold off, money would come into the health service from the sale. Whatever else happened on that land, they would have a primary health care centre. There was a fair amount of discussion—this is going back to about 1990—between people in the area and the South Birmingham health authority about what the primary health care centre should deal with.

In 1994, the regional health authority published a new plan for health care in the west midlands. It had had some problems up to that point. It had become unpopular with its blueprint for health care in Birmingham. That even led to the resignation of the then chair of the regional health authority. In 1994 the authority published a new document called "Looking Forward". That document referred to a new preoccupation and emphasis in the west midlands on primary health care. It mentioned two flagship projects that would take place in Birmingham. One was a primary health care centre in a place called Quinton and another was a centre on the Rubery-Hollymoor site.

I have to tell the Secretary of State and the House that even though the project was talked about back in 1990, guaranteed at that time, and even though it was proposed

in the document in 1994, not one stone has been laid to construct that new primary health care centre. For the first year or so, even though we in the area became frustrated, we thought that the delay was due to the various delays in the development in general.

Towards the end of last year I approached the regional health authority and asked what was happening about the development of the centre and why it appeared to be taking so long. The story that I got back was essentially that the main reason why no stone had been laid was that no one in the health service could decide whose responsibility it was to build the centre.

The original initiative had come from South Birmingham health authority. It could not be responsible for building the health centre. Why? Because all that it did these days was purchase health care. It could not be involved in developing a facility. The land was owned by the regional health authority so I asked why it was not taking the project forward. The answer was that the RHA did not really do anything these days but merely monitored what other people did. It was not the RHA's responsibility to build the primary health care centre. I was told that it was the responsibility of the local trusts and that the local mental health trust would develop the primary health care centre. When I asked why it had not got on with the job, I was told that that trust had been in negotiation with the other trusts to try to work out how it would fund the centre. After all, that primary health care centre was designed to offer a range of different services, including community services, general practitioner services and chiropody.

That was a great idea, so why had the mental health trust not got on with it? I was told that its negotiations with the other trusts had ground into the dust. It had asked the other trusts for the type of financial commitment that it felt it needed to develop the centre in the years to come, but they said that they could not make those financial commitments because, under the new NHS market, their financial regime operated just one year in advance. Those negotiations therefore produced no result and the project came to a halt. It was only when local councillors and I started to ask questions that the trusts decided that they had to get on with the centre.

Earlier this year we were assured that the project would go ahead. I asked the trusts what they intended to do and they said that they now had to prepare a business case. I asked for whom and I was told that the project had to be considered under the private finance initiative. The project had, effectively, to be put out to tender. I argued that the project had first been approved way back before PFI was ever contemplated, but I was told that that did not matter and that the project now had to be governed by the rules of the PFI. When I asked what that meant, I was told that the trusts were getting on with the project but the plain fact was that it would be another two years before the health care centre saw the light of day.

I was subsequently told by South Birmingham health authority that a notice for tender would be placed in the relevant journal in May 1995 and that pre-qualification submissions would be returned in early June. On 14 June pre-qualification tenders would be selected and an invitation to prepare an outline tender would be issued to between six and 10 companies. On 21 July, two preferred tenders would be short-listed and invited to prepare fully costed tenders. They are due to be returned on 8 September 1995 and on 3 October a finance committee, of the mental health trust I assume, will meet. The trust board will meet on 6 October and the full business case submission will be explored. That is what is due to happen in 1995—about five years after the health authorities agreed to the centre and almost one year after they had been chased up about why nothing had happened until then.

Once the private tenders have been returned and it is decided to work on the basis of the PFI, does that mean that the health care centre will then be built? No, it does not, because it is only at that stage that the trusts can start to submit their planning applications. It is only at that stage that the trusts will talk to local people about what they want at that health care centre.

Mr. Fabricant: The hon. Gentleman has offered us a long catalogue of tender procedures. Is he suggesting that such procedures should not be used and that the project should be given to one bidder only, who might just be the highest bidder? Would not that mean taking money away from patient care?

Mr. Burden: The project was given the go-ahead in early 1990s and had the support of local people. The health service then had a management structure that worked. The different parts of that service hung together and it would have been rather better if people had made the necessary decisions then. We would then never have reached the stage, as we did a year ago, where different trusts were unable to make a decision about who would fund the project, who would use it and who, indeed, would own it because it is always considered to be someone else's responsibility.

The hon. Member for Mid-Staffordshire (Mr. Fabricant) has implied that the PFI may offer better value for money to the health service. I am not too sure about that. I received a letter from South Birmingham health authority on 23 June, when I was updated on progress on the project. I was provided with the list of dates that I outlined a few moments ago. The health authority explained that taking the project through the PFI was a complicated exercise. It is so complicated that it appears that South Birmingham health authority, the trusts or even West Midlands regional health authority, cannot be expected to conduct it themselves. That is why I was told that, in order to pursue the PFI, the mental health trust had brought in outside help, Nexus Health Finance Ltd., to assist it to perform its task under the PFI regime. The trust, in order to obtain that finance, has had to commission and pay a private company to help it. That has happened on the back of the RHA's decision to call in Erdman Lewis company to help it market the land and another private firm to help it develop that land. Some questions must be asked about how much all that activity costs.

The primary health care centre in south Birmingham is just one example from a catalogue of disasters, and it says a great deal about the way in which the health service operates. Any individual manager or health practitioner will have the interests of the patient at heart. It is most unreasonable for Conservative Members to say that the Opposition have attacked people working in the health service. Goodness, we spend our days listening to them and taking up their grievances. We articulate for them because they are often not allowed to do that. That demonstrates what is wrong with the way in which the health service is operating.

[Mr. Burden]

It is clear that throughout the entire process in south Birmingham everyone has had the interests of the patient at heart, but when one puts the picture together and inserts the crucial mechanism of the market, the outcome is chaos. A decision was made that could never be carried through. The RHA wanted the health centre to be developed, but it never had the power to do that. In effect, the RHA took its eye off the ball. The trusts and provider units wanted the centre developed, but they could not reach the necessary agreement. That failure was not intentional, but they knew that the financial regime imposed upon them by the internal market forced them to expect of each other unrealistic financial demands. That led to delay and, finally, the much-vaunted PFI. The only effect of that initiative on the proposed health centre in south Birmingham has been to create further delays and add to costs.

At the end of the day, who knows—public money may be used to build that health centre. We know, however, that it will not be built for another two years. Let us go back to the start. It all arose from the sale of hospital land. We were told that that would raise money that could be put back into the health service. The one obvious project arising from that development, however, cannot be financed out of health service money.

There is something radically wrong with the way in which the health service now operates. The market mechanism has not worked. It is because of that example in south Birmingham, and countless others throughout the country, that I welcome the new policy document issued by the Labour party. It is designed to bring to an end that disastrous market mechanism and, in a modern context, get back to the essential principles on which the health service is based. It will then serve the interests of people and patients, not bureaucrats and markets, and it will not be governed by an obsession with privatisation.

4.48 pm

Mrs. Marion Roe (Broxbourne): There is no doubt in my mind that the health service reforms were radical and bold. They are now nearly five years old and they have matured into an understanding of the need for strategic long-term relationships between purchasers and providers and, where appropriate, between providers themselves.

I remind the right hon. Member for Derby, South (Mrs. Beckett) that NHS trusts are NHS funded and NHS managed. But, of course, they will tender for services from public or private suppliers where it is advantageous in terms of improved quality and efficiency—for example, for cleaning and catering, and for patient transport. But the objective always remains the same: to secure improved services that are balanced and non-ideological.

Competition stimulates innovation and improves efficiency; it also encourages new and better ways of providing health care. The NHS market is a public market, which is publicly accountable and publicly controlled. All purchasers, responding to the needs of the people they serve, seek to maintain good access to a comprehensive range of general hospital services. Those services will include all emergency treatment, which accounts for 35 to 40 per cent. of all expenditure.

However, in some other services, planning needs to be undertaken jointly between purchasers and two or more providers. The implementation of the chief medical officer's recent important report on cancer services could not effectively be undertaken without joint work between trusts to ensure the highest-quality surgery, chemotherapy and radiotherapy—that requires strong links between cancer centres and local cancer services.

In other services, the private sector may offer the best quality of care—but still funded by the NHS. Private psychiatric providers have specialist expertise for people with severe problems. Some purchasers are now obtaining much improved care at home for very dependent elderly people, such as quadriplegics, who need to receive customer-designed care, fitted to their needs, from specially and specifically trained carers. The private sector can often best provide such carers—funded and supervised by the NHS and social services together.

Mr. Alex Carlile: If it is right that the private sector provides facilities—as well it might—for some areas that are better and give better value than the NHS, can the hon. Lady explain why, in some areas of medicine, the NHS is obtaining services from neither the private nor the public sector? For example, why is it so difficult to obtain medical treatment for anorexic teenagers in the NHS in London, so that some of them suffer for years, while those whose parents can afford to pay can be in a psychiatrist's chair within minutes?

Mrs. Roe: I should draw the hon. and learned Gentleman's attention to the Select Committee's report on purchasing. If he reads the report in detail he will see that we considered those sorts of services that were not being provided in some areas, but found that such services were being provided in other areas and were certainly meeting the needs of the local population. I advise him to read that report in detail as he will see that his point is covered by it.

Mr. Fabricant: I am grateful to my hon. Friend for giving way because I wish to raise a point relating to the intervention by the hon. and learned Member for Montgomery (Mr. Carlile).

Is my hon. Friend aware that the family health services authority in Staffordshire produces a list of waiting times and availability of treatments for various types of disfunction? Is it not true that there is no reason why, if the fundholder is in London, the patient should necessarily have to be treated in London? If the treatment is not available, the patient could certainly easily be treated in areas surrounding London, where treatment is available.

Mrs. Roe: I take my hon. Friend's point but, again, the Committee's report shows that in some areas particular services are provided and are of a high quality.

The East Hertfordshire NHS trust, which covers my constituency, has established a deserved reputation as a prudent, well-operated organisation that has consistently met all its financial targets and contractual requirements, while placing key emphasis on developing new services for local people. In doing so, it has sought and benefited from private sector developments in just the sort of projects that provide benefits for patients first, for the trust second, and for the private sector third.

Most importantly, services for national health service patients have been extended and introduced when that would not otherwise have been possible. For example, new and improved equipment has been introduced where private finance has improved the cost-effectiveness of

services in a wide range of areas. The use of leased equipment has enabled vital advances while relieving the NHS of the burden of risk and cost.

The East Hertfordshire NHS trust has been able to acquire more than £700,000 worth of essential equipment, ranging from image intensifiers, blood gas analysers and other critical medical equipment, as well as equipment that brings benefits to staff and patients, such as a new switchboard, new information systems and refurbished refreshment facilities within the main hospital. The trust has also developed improved diagnostic services through the provision of an on-site, state of the art, privately operated MRI scanner in a purpose-built unit.

The Chase Farm Hospital NHS trust, which also covers my constituency, has a partnership with the private sector; the trust and its patients have benefited, both financially and by means of direct clinical care, through their partnership with BMI. There is a partnership arrangement with the Kings Oak private hospital, which is on the Chase Farm hospital site and which was built by the private sector on Chase Farm hospital trust land. That yields an immediate income of a minimum of £380,000 a year, with additional benefits.

The benefits include: the sharing of expensive clinical equipment; training offered by the trust to the Kings Oak resident medical officer, with the trust in return receiving the funding for an additional doctor in its accident and emergency department; the ability to sell pharmacy, pathology and CTC scanning services to Kings Oak and generate income for the department involved; the opportunity for the doctors to undertake private practice on the Chase Farm site, thereby being easily accessible to the NHS when they are required; the ability jointly to develop new services such as mammography screening; and sports injury clinics. The Chase Farm trust has also worked closely with Broxbourne borough council, which was able to facilitate a land swap with the private sector, enabling the trust to re-provide Cheshunt community hospital with purpose-built premises in a central location in my constituency.

In my constituency we are concerned about the grass roots delivery of an excellent health service, not about ideological rhetoric, where the word "private" has developed into an abusive term.

Britain does not have to make a choice for the national health service between the public service or private markets. The key to maximising our resources and to providing the high-quality health care we need lies in creative and energetic partnerships between our national health service and the private sector. That is the way forward.

4.58 pm

Mr. Alex Carlile (Mongomery): It is now 16 years since the Government's political experiment with the national health service started. One would have thought that, by the end of 16 years, even by the standards of the right hon. Member for Wokingham (Mr. Redwood), the experiment would have come to fruition and would have achieved the panacea of the national health service that we had been promised. Listening to the hon. Member for Broxbourne (Mrs. Roe), one has the impression that the panacea has been delivered, at least in leafy Hertfordshire. If it applies in Broxbourne, it certainly does not apply all over the country.

The hon. Member for Mid-Staffordshire (Mr. Fabricant), who has temporarily left the Chamber, suggested in response to my earlier intervention that an anorexic teenager from London could be treated in Staffordshire. Are we really to believe that that is the recipe or prescription offered by the Government to people who are facing severe illness early in life? Where is the evidence that the national health service is meeting the acute needs of the great majority of the people?

The reality behind what the hon. Member for Broxbourne described is that there has been a tenfold increase in the number of NHS administrators. Senior managers are earning over £63,000 a year on average, and the best employment offers in the jobs pages of the heavier newspapers are not for doctors, but for national health service administrators. Of course the national health service needs good, well-paid managers who can administer it well; what it does not need is a management structure which has overwhelmed the medical ethos of the service.

It is all very well to talk about day surgery, laser surgery and technological changes; it is right that they should be embraced by the national health service. However, can we really be as satisfied—indeed, as self-satisfied and smug—as the Secretary of State and the hon. Member for Broxbourne when we hear, for example, the intervention by the hon. Member for Workington (Mr. Campbell-Savours) about speech therapy in Cumbria? It is not only in Cumbria that speech therapy is not available. There is a chronic shortage of speech therapists in rural Wales.

Why have the Government failed to meet the need for speech therapists? Why is there a shortage of physiotherapists? Why does the training that paramedics who attend accidents receive vary greatly from one part of the country to another in a way that may critically affect outcomes?

The Government ought to tell us what answer they have to the triple whammy which they have been given in the past two or three days by senior figures who have made comments about the national health service. The Secretary of State tried to rubbish the comments of Professor Colton, but she failed to deal with the comments of his chairman, Martin Suthers. He is the chairman of Queen's medical centre, Nottingham University Hospital NHS trust, and, one is told, a prominent Conservative. He said:

"I am sorry to see him go, but I understand his frustration."

What frustration was that? Perhaps the Government would care to explain it.

I do not believe that Mr. Suthers is about to go to Switzerland to practise health in the private sector. He remains to try to pick up the pieces after the departure of Professor Colton, a leading paediatric surgeon, from Nottingham, and has been left to find somebody else to take over the children's clinic.

What about the Bishop of Ripon, the Right Reverend David Young? The Minister may laugh at the notion that bishops have any right to say anything about what is going on in our society, but the fact is that bishops see a lot of what goes on through their diocesan work. Why is it that the Bishop of Ripon, despite the Minister's smug and dismissive smile, said:

"The increasingly competitive nature of health care is damaging."

He finds it difficult to see how competition can benefit patients.

[Mr. Alex Carlile]

Then, of course, we have Dr. Macara, the chairman of the council of the BMA. That name brought from the Minister not a smile but a double raise of his eyebrows, probably because he cannot do them one at a time. I see that he can. He raised one eyebrow in response to that.

Let us consider Dr. Macara for a moment. He is not a firebrand trade unionist; he has a long record of support for Conservative health policies. However, as chairman of the council of the BMA, this morning he described the regime under which the NHS now labours as "alien." He described the internal market as "an infernal bazaar". He has complained that there is neither equity nor integrity, and called the system whereby whistleblowers working in the NHS are under threat of losing their jobs "dedicated secrecy".

Can the Government really, in the style that the Minister of State carries so well off-the-shoulder, shirk such criticisms? Can the Government really be satisfied with having lost the support of the medical profession?

It simply will not do for the Secretary of State to say that general practitioners who are fundholders will fight to retain their fundholding status. She omitted to tell us that 60 per cent. of GPs have refused fundholding status. It is only the minority who are fundholders. There is some evidence that many of them regret it.

The Nottingham fundholding commissioning group has received a lot of praise, both from the Labour party and from my party. In Nottingham, a very successful alternative has been found to GP fundholding. Part of the evidence is that fundholders have declared that they wish to join the Nottingham group.

Why are the Government not prepared to give a fair run to fundholding groups such as that? Why do they insist on pressing the case for individual practice fundholding as their priority? Why are the Government not even prepared, as my party suggests, to test fundholders before they are given fundholding status, not on the basis of the size of the practice but by a strict system of accreditation, to ensure that they are fit to run the funds for their practices?

When the Minister replies, I would ask him to explain why it is that, mysteriously, only a few days ago, the extremely able chief executive of the new joint Nottingham health commission, who has given great administrative support to the Nottingham fundholding commissioning group, resigned his job. Did that involve interference by the Government? Have there been subtle words to lever him out because he is doing rather too well and the Nottingham experiment is beginning to show great success? We deserve an answer.

Mr. Malone: Will the hon. and learned Gentleman give way?

Mr. Carlile: I will gave way later, even though the Secretary of State refused to give way to me. I ask the Minister to find out the true explanation for the departure of the chief executive from his post. He should give an informed answer at the proper stage of the debate.

Mr. Spearing: Is the hon. and learned Gentleman telling us that in Nottingham, for which the Minister is responsible but in respect of which he may or may not reply, there is a group of GPs who wish to avail themselves of advantages through some large-scale co-operative organisation, thus benefiting local citizens, but who are being prevented from so doing? If so, the Government must say why.

Mr. Carlile: The Nottingham fundholders group is extremely well run, by some very good doctors. It is clear evidence that doctors can run important parts of the health service for themselves without large numbers of administrators. However, they have had a great deal of help from the chief executive of the Nottingham health commission, who sadly disappeared—I do not mean physically, but from his job, with very little notice, I understand, at the end of last week. If the Minister can give an informed explanation, I shall give way. I apprehended from his sedentary reaction that he was ready with one of his usual off-the-cuff ripostes rather than the true reasons.

Mr. Malone: The hon. and learned Gentleman asked two specific questions: had the Government engineered the chief executive's departure, and had the Government had any words? The answer to both is no, but I shall see whether there is any explanation that I can offer him. I cannot undertake to do so, but I shall certainly try. While I am on my feet, may I ask the hon. and learned Gentleman whether, as seems to be the case from what he said about fundholding, he shares the Labour party's view that it should be abolished?

Mr. Carlile: I look forward to the Minister of State's informed reply to my inquiry about the chief executive in Nottingham. The Liberal Democrat view on fundholding is absolutely clear. We would encourage the development of joint commissioning groups. One has to be realistic, and it is not realistic to abolish all fundholding at a stroke. I do not believe that the Labour party would regard that as realistic, either.

The development of joint commissioning groups, as Nottingham has shown, would ensure that fundholding would wither on the vine. Indeed, fundholding has always been a kamikaze policy. It was always in the end bound to set doctor against doctor and patient against patient, and it was quite illogical from the start. It is the doctors in Nottingham and elsewhere who are saving the Government from the consequences of that policy.

I welcome Labour's choice for a debate on the national health service. I hope that, as a result of the Labour party's measured approach to changing the NHS, we shall not return to the old phoney war of all public provision on the one side and possibly all private provision on the other. The NHS should cease to be a political and ideological battleground. It should rather be a service in which patients come first, and those who work in it come only slightly behind them.

Like the hon. Member for Newcastle upon Tyne, East (Mr. Brown), who is a member of Labour's Front Bench, I was present at the annual dinner of the National Association of General Practitioner Co-operatives at the weekend. That is another organisation which has shown that doctors can run important parts of the national health service. For a change, I should like to hear the Government say that they will introduce initiatives to ensure that not so much of the management and administration of the health service is taken up by an exponential increase in administrators of only the managerial kind, but is done by doctors as far as possible.

Although it provides a useful discipline, the internal market is desperately in need of reform. I accept the need to separate commissioners from providers, as it is a useful discipline which ensures that the best value and quality can be obtained. However, the creation of 400 to 500 separate hospital and community trusts, the fact that there are several trusts in some cities—there are four in Shrewsbury and three in Hereford—and that there is now a competitive market for nurses and auxiliaries, which means that continuity of care is not being provided in many areas, cannot be a sensible use of the internal market mechanism.

In addition, the fragmentation of the national health service under the Government has meant that networking is extremely poor. When the hon. Member for Mid-Staffordshire made his absurd suggestion that anorexic teenagers from London should be shunted up to Staffordshire for out-patient appointments—

Mr. Fabricant *rose—*

Mr. Carlile: It is clear what the hon. Gentleman meant. He has had his opportunity—

Mr. Fabricant: On a point of order, Mr. Deputy Speaker. Is it in order for an hon. Member to misquote me deliberately in order to mislead the House?

Mr. Deputy Speaker: The hon. Gentleman will have the opportunity to make his point if he is fortunate enough to catch my eye.

Mr. Carlile: The hon. Gentleman's facility for expressing what he means may not always work in tandem with his mind. However, we understood that he made the absurd suggestion that young people should be shunted—*[Interruption.]* It has happened. Psychiatric patients in London are being shunted to the north-east of London, away from their families, because one NHS health trust is not able to tell a neighbouring trust what beds are available. That is the reality, and it is only one small example of the chaos that the Government have created in many spheres of medicine—if only they had the courage to realise it.

5.14 pm

Mr. Michael Fabricant (Mid-Staffordshire): I am grateful to be called at this opportune moment, Mr. Deputy Speaker. If ever there was an example of the Liberal Democrats' woolly thinking and woolly hearing, the speech of the hon. and learned Member for Montgomery (Mr. Carlile) was it—as *Hansard* will clearly show.

The point that I was making, and which I shall make again later, is that the family health services authorities can provide lists of where people can receive treatment. To suggest for one moment that people from London would find it difficult to visit the surrounding counties is ridiculous. If the hon. and learned Member for Montgomery knew any geography, he would know that Staffordshire is nowhere near London. I was not saying that people from London should go to Staffordshire.

We heard woolly criticism from the Liberal Democrats, but earlier we were graced by the right hon. Member for Derby, South (Mrs. Beckett), who criticised the Government but came up with no tangible suggestions as to what she intended to do. She merely provided a series of models—I believe that that is what she calls them.

Mr. Patrick McLoughlin (West Derbyshire): My hon. Friend was accused of supporting the idea that people should be moved from one part of the country to another, but is that not the reverse of our health reforms? More major operations now take place across the country so that people do not have to come to London. Yet we are criticised by the Opposition for tackling the problem.

Mr. Fabricant: As ever, my hon. Friend hits the nail on the head with great accuracy.

The right hon. Member for Derby, South talked about a number of different models for Labour party policy and alternative templates, but at the end of the day she came up with no tangible suggestions as to how the health service should be reformed. When I challenged her to say what her party's targets would be in terms of the number of treatments per year or by how much waiting lists should be reduced, she said that it was not her party's policy to set targets. All that we heard is that it is her party's policy to talk about centralism.

You will know, Mr. Deputy Speaker, that before I was a Member of Parliament I used to travel a great deal to the former Soviet Union where people were experts in centralism. The Soviet state committee for planning—or Gosplan—used to come up with wonderful five-year plans.

Mr. John Gunnell (Morley and Leeds, South): Is the hon. Gentleman aware that the Health Authorities Act 1995 removes a regional tier, thus giving more power to the Department of Health? Does he not consider that a centralising measure?

Mr. Fabricant: The hon. Gentleman clearly misunderstands the point of the Act, which is to decentralise the health service. He may be old enough—possibly not—to remember the original series of "Dr. Finlay's Casebook". Although it may have presented an idealised vision of the health service, it dealt with local treatment. But in those days, of course, the health service was not funded nationally.

The right hon. Member for Derby, South maintains the myth that we no longer have a national health service by saying that, somehow or other, the trusts and fundholders are some form of private medicine. That is not the case, as the health service is funded nationally. Efficiency and the ability to say what is required locally—with clinicians making such decisions rather than a bunch of central bureaucrats trying to plan the health service as Gosplan tried to do in the Soviet Union—has to be admired. Just as the Soviet Union was damned and doomed, so was the national health service as we knew it. But it is still very much a national health service, and that is how it ought to be.

I suspect that the only matter on which I agree with the right hon. Member for Derby, South and disagree with the Government relates to tobacco advertising. It is a strange anomaly that the Government rightly legislated in the Broadcasting Act 1990 to stop tobacco advertising on radio and television, but did not go the whole hog and ban it nationally in other media. That is a strange and inconsistent omission.

[Mr. Fabricant]

There is much of which the Government can be proud. The Department of Health has produced a statistical bulletin that was prepared by the Government's statistical service. It shows that on 31 March this year 1,440,051 patients were waiting for treatment. However, more than 75 per cent. of those patients had been waiting for less than six months at that time and more than half of all patients had been waiting for less than three months. Those are significant achievements, but did we hear any recognition for them from Labour or the Liberal Democrats, whose spokesman, the hon. and learned Member for Montgomery has not even had the courtesy to stay for my speech, which followed his? There has been no recognition at all.

When the Opposition were challenged to state what their targets would be, they came up with neither solutions nor targets. All they came up with were empty slogans and rhetoric. Of course, that is the authentic voice not of new Labour, but of socialism, and it speaks of central planning and slogans. The Opposition have no targets and no clear methodology as to how targets might be achieved.

The statistical bulletin shows that the number of patients who had been waiting more than a year had fallen by 50 per cent. since March 1994. Of course people will always be able to quote individual cases. A number of Opposition Members intervened during the speech by my right hon. Friend the Secretary of State and spoke about individual cases which they thought should have had better or quicker treatment. However, none of them seems to have had the energy to write to the Secretary of State or the Minister of State to raise those problem cases—if they truly exist.

The threat to scrap GP fundholders is worrying. Lichfield is witnessing the benefits of virtually all its doctors being fundholders. Fundholding is a clear example of how, for the first time since 1948, money is following the patients and not the other way round. That is an appropriate slogan because it summarises the position. The Victoria hospital in Lichfield has direct access surgery, evening radiology and physiotherapy services, additional orthopaedic, dermatological and gynaecological out-patient services and a new surgical wing, which I had the honour to open. All those services are being provided there for the first time and they are the direct result of the Government's strategy and policy. That hospital is ably run by Premier Health, whose managing director is a fully paid-up member of the Labour party. If he were here to speak to the right hon. Member for Derby, South he would probably have something to say about Labour's proposed reform of the trusts. If Labour's ideas were to be implemented not only would there be chaos, but there would be considerable delay in treating the people of Lichfield.

In 1993-94, the out-patients department treated 11,346 people, but it now treats more than 15,500. That is a significant increase, and it is the result of the trusts and fundholders in Lichfield being able to say, "We want our patients to be treated locally." As I say, that is money following the patient and not the other way round. The Opposition's broad proposals, about which they do not go into any detail, would restore the disastrous situation prior to the reforms when patients were shunted all round the country for quite ordinary treatment.

When I said that, for more complex treatments, people might have to travel a little distance, Opposition Members laughed. One of the great innovations by my FHSA in Staffordshire under the extremely able chairmanship of Mr. Philip Jones, who lives in Oulton Heath in Staffordshire, is a system by which all general practitioners, fundholders or not, receive every month a book which details against waiting lists the different types of treatment that are available in various parts of the country. Fundholders are able to say, "We can send our patients where treatment is most efficient, and to places with the shortest waiting lists." I hope that other counties will be able to emulate Staffordshire's flexibility.

Mr. Bayley: Will the hon. Gentleman give way?

Mr. Fabricant: I am happy to give way to the hon. Gentleman.

Mr. Bayley: Will the hon. Gentleman not acknowledge that before the Conservative health reforms every GP was free to refer patients to any NHS hospital? But under the reforms most GPs can refer their patients only to hospitals with which their health authority has a contract. The hon. Gentleman is right to say that a GP fundholder can refer patients to any hospital—if that GP wishes to set up a contract—but that just means that some doctors are getting back the freedom of referral that they had before the reforms were introduced. Patients who are not with fundholders do not have the freedom of referral that used to exist.

Mr. Fabricant: Perhaps the hon. Gentleman is looking back through rose-coloured spectacles. Many of the NHS hospitals to which he refers did not perform the operations for which people are now referred. If the hon. Gentleman cares to look at the data more carefully, he will discover that. The hon. Gentleman shakes his head in disagreement. He represents a major city but my constituency contains Lichfield, which is the second smallest city in the country. Lichfield did not have access to consultants and patients had to be sent to Wolverhampton, Birmingham or Sutton Coldfield. But since the reforms, consultants from hospitals in those places have to come to Lichfield away from their hospitals and, dare I say it, away from their golf courses, too.

Mrs. Beckett: Will the hon. Gentleman give way?

Mr. Fabricant: Perhaps the right hon. Lady would allow me to finish dealing with the intervention by the hon. Member for York (Mr. Bayley) who, I think, was getting at the two-tier system. I should like to see a one-tier system and all doctors being fundholders.

Mrs. Beckett: I have borne, I hope with some patience, the hon. Gentleman's remarks. He seems to be entirely unaware, so may I gently point out to him, that the kind of improvements to which he refers result from GPs being involved in commissioning care and not from people being fundholders. Indeed, similar improvements have been achieved in cases where health authorities and GPs have worked together in GP commissioning of one form or another.

Mr. Fabricant: I am glad that I allowed the right hon. Lady to intervene because she displays an inordinate lack of understanding of how not only fundholders but non-fundholders work. Waiting lists are being shortened not only because hospitals are now being run more

efficiently, but because fundholders are able to perform the little operations that formerly had to be done in hospital. Simple operations such as the removal of moles which, of course, could lead to sarcomas, can now be undertaken swiftly and efficiently in fundholders' surgeries. That could not be done before the reforms, and the right hon. Lady should accept that. The fact that she refuses to accept this major change clearly demonstrates that she does not have a clear grasp of her brief.

In June 1995, my right hon. Friend the Secretary of State announced that the intake of medical students had increased by some 10 per cent., and that the number will have increased by 5,000 a year at the turn of the century. That is another demonstration of the improvements that have been made in the health service, nationally and locally.

The right hon. Member for Derby, South spoke of bureaucracy. Perhaps she would now care to tell me the actual number of people employed in NHS administration. She is constantly saying that the reforms have led to more bureaucracy; has she any idea of the percentage of health service employees who are administrators, and the cost involved? I shall be happy to give way to her.

Mrs. Beckett: And I should be happy to give the hon. Gentleman the answer to his question, if the Government would publish it. However, they refuse to reveal the figures. According to our most recent estimates—which depend on some information about the finance spend—perhaps as many as 30,000 people are now employed in administration. As far as I am aware, it is not denied that the administrative costs of the health service have doubled since the Government carried out what the hon. Gentleman is pleased to describe as their reforms.

Mr. Fabricant: Again, I cannot follow the right hon. Lady's logic. First she says that she cannot gain access to the data; then she says, with great assurance, that the number has doubled. She is clearly talking off the top of her head. I can inform her—she may wish to make a note of this, and no doubt her hon. Friend the Member for Newcastle upon Tyne, East (Mr. Brown) will refer to it in his winding-up speech—that just 2.6 per cent. of total NHS spend is devoted to administration. That gives the lie to the claim that it is additional—*[Interruption.]* The right hon. Lady and the hon. Member for Newcastle upon Tyne, East say "Rubbish", although they have said that they do not have access to the data. The right hon. Lady now has time to find out the precise figures or to make an estimate, and I look forward to hearing that information when the hon. Gentleman winds up the debate.

The point is that the NHS is the largest organisation in Europe. It spends £110 million of taxpayers' money every day. What would the right hon. Lady do? She says, "We will not get rid of fundholders overnight; we will allow a year before we slash them"—and, no doubt, slash local people's chances of being treated locally. I wonder whether, if there had not been a Conservative Government, the Labour party would be enduring the same old health service that was set up in 1948. Does Labour not accept that demands on the service have changed substantially since then?

Incidentally, Opposition Front Benchers keep coming up with the names of doctors who disapprove of the changes in the health service. Let me remind them that the British Medical Association—including consultants and other doctors—opposed the very changes that created the NHS. If we listened to every doctor who said, "We do not want change in the NHS; we want to exist in the same old way as before, although it will mean long waiting lists and will prevent us from treating people locally," no reforms would ever be made. We would never have had an NHS.

For Opposition Members simply to sit there and say, "We will not make these reforms: we do not accept that reform is necessary," is a negation of their duty. It is almost as if, in their heart of hearts, they did not expect to be a party of government. If they were a party of government, it would not be a case of talking about templates and models; they would have to provide tangible policies and targets, which they consistently refuse to do.

Even the Labour party admits that the situation cannot continue as it was. According to a Fabian Society report,

"Dismay was expressed at the myth that NHS managers were evil men in grey suits"—

I know some evil men in grey suits, but they are not in the NHS—

"and there was a plea for the Labour Party not to perpetuate this image . . . Comparisons were made with the 'bad old days', when nobody knew who managed the NHS . . . It was claimed that more and more nurses are taking up management positions, and that 45 per cent. are women . . . There were some really good things happening in NHS management, it was argued, and the Labour Party would be foolish to dismiss them out of hand".

Those are not my words. At least the Fabian Society is the intellectual wing of the Labour party; at least it takes some pride in trying to evolve policy, rather than engaging in cheap point-scoring as Opposition Front Benchers do. They give us point-scoring and slogans, but no policy, no targets and, as ever, no clear idea of how they would resolve the problem of more patients needing more treatment.

The right hon. Member for Derby, South spoke of bureaucracy, although she did not know the number of bureaucrats involved. She called for the abolition of GP fundholders, although that would result in a more bureaucratic system than that which currently exists. Labour wants the return of regional health authorities, and makes similar demands in its proposed reforms of local government. Who wants regional seats of government in England? No one except the Labour party. Who wants regional health authorities? No one except the Labour party. It is the party of central planning—Gosplan. It is the party of bureaucracy. Indeed, following the Monklands affair, it could be said that it is the party of jobs for the boys. All that is typical of where Labour would stand if—God forbid—it ever gained power.

It is clear that Labour wants to turn back the clock. As Stephen Pollard of the Fabian Society has said,

"The whole issue of the future of the health service is, if you like, a classic test of old Labour against new Labour."

Have we heard from new Labour today? No: we have heard the authentic voice of socialism.

Mr. Turner: Real Labour.

Mr. Fabricant: There we have it. The Opposition Whip himself—the silent one—says that real Labour is the authentic voice of socialism. I hope that that message gets across to the right hon. Member for Sedgefield (Mr. Blair). In his heart of hearts, the right hon. Gentleman knows that the majority of the Labour party is real

[Mr. Fabricant]

Labour—old Labour. The old socialists have not been changed, and the oldest socialist of them all sits on the Opposition Front Bench.

According to Mr. Pollard,

"Old Labour . . . believed in sort of top-down state planning, the men in Whitehall know best about these things, which was typically characterised by the management of the National Health Service".

As I have said, those are not my words but the words of Stephen Pollard of the Fabian Society, spoken in "On the Record".

Once again we have heard the authentic voice of socialism which, we are told, is the voice of real Labour, which is new Labour—it is the same thing. We have heard a criticism of the national health service as run by the present Government; yet we have heard nothing about how the Labour party would run the service if it ever formed a Government. When challenged by me and by others, Labour Members do not answer the question, "What targets would you set for patient care? What targets would you set for ensuring that patients are"—

Mr. Deputy Speaker: Order. The Chair has no views.

Mr. Fabricant: I was not referring to the Chair, Mr. Deputy Speaker, or indeed to the right hon. Member for Derby, South. I certainly would not point at the right hon. Lady.

Mr. Deputy Speaker: When the hon. Gentleman says "you", he is addressing the Chair.

Mr. Fabricant: As always, Mr. Deputy Speaker, you are right. I bow to your superior experience. I ask your forgiveness as merely a new boy and unaccustomed as I am to public speaking.

The fact remains that real Labour—old Labour, the old socialists, the Gosplans and central planners of this world—has no central plan. Its members simply carp, criticise and come up with slogans. When asked to come up with targets, they answer, "We have no targets. We can provide no targets."

The Government do provide a truly national health service in that the national health service should always be available free of charge to people who need it. Under this Government, it will always be nationally funded, but, whether it is the Soviet Union, which determined that central planning did not work, IBM, or any company in this country that knows that centralised planning never works—

Mr. Bayley: Will the hon. Gentleman give way?

Mr. Fabricant: I will give way to the hon. Gentleman. I was just about to conclude my speech and I know that he will be upsetting his Front-Bench team, but I am happy to give way to him.

Mr. Bayley: The hon. Gentleman says that he is against massive bureaucracies, but does he not agree that, as part of Conservative reforms, two further tiers of bureaucracy have been introduced between the Department of Health and the national health service—the NHS management executive and, beneath it, the regional offices of that executive—and that both tiers are accountable upwards to the Secretary of State for Health rather than outwards and downwards to the service, which was the case with the old regional health authorities? Two layers of bureaucracy have been introduced to replace one.

Mr. Fabricant: The hon. Gentleman has studied his brief, is well aware of the facts and has stated correctly that those tiers exist, but he has failed to observe that the number of staff in those bureaucracies has been reduced fivefold. There must always be some overall control of matters such as epidemiology, which, incidentally, no Labour Member has—

Mr. Bayley: Health planning.

Mr. Fabricant: Does the hon. Gentleman wish to intervene?

Mr. Deputy Speaker: Order. We should be getting on with the debate.

Mr. Fabricant: I thought that the hon. Member for York was trying to say something. The whole point of the reforms, as the hon. Gentleman obviously knows from his own experience in York, where I know there are many fundholders, is that local fundholders can direct where patients should go and, for the first time, perform operations that they were previously unable to perform.

I remind the House that every doctor gets two degrees, not one. Any doctor who graduates in England or Wales gets a degree in medicine and a degree in surgery—he becomes a Bachelor of Medicine and a Bachelor of Surgery. That enables him to perform minor surgery in his local trusts. The hon. Gentleman will know that the reforms in York and those that my right hon. Friend the Secretary of State has made in channelling money northwards away from London enable his patients to be directed to local hospitals, which are run now by local people. That is local accountability. That is not centralism. That is a framework in which the NHS has clearly demonstrated that it can reduce the number of people on waiting lists and that the number of patients treated can be increased considerably.

The hon. Member for York and his right hon. Friend the Member for Derby, South have come up with no proposals as to what they would do in office. All that they come up with is slogans. Here we have had it—the authentic voice of socialism: plus ça change, plus c'est la même chose.

5.43 pm

Mr. Kevin Hughes (Doncaster, North): In the short time since my election to this Chamber—three years—I have heard some nauseating nonsense from Conservative Members, but that takes the biscuit.

It is appropriate that we are having this debate today, which has again been initiated by the Labour party. In my three years here, I do not believe that the Government have initiated one debate on the national health service. It was appropriate to hold the debate today because it allowed the Secretary of State for Health to give her swan song—and what a swashbuckling attempt it was. I am sure that by the end of the week she will be looking for a new post.

The debate is especially appropriate following the publication last week of Labour's policy document "Rebuilding the National Health Service", which was ably launched by my right hon. Friend the Member for Derby,

South (Mrs. Beckett). The Secretary of State said that Labour would turn back the clock and return to a command-style national health service. Her criticisms were tongue in cheek and were levelled without foundation. Labour's plans will improve the service that the NHS can give patients, and secure the NHS as a public service for generations to come.

The founding principles of the NHS have been utterly undermined by the Government's policies. Their reforms have introduced competition into the NHS. They have sabotaged the principle of treatment on the basis of clinical need and instead have introduced finance as the main factor that determines whether people receive care.

The NHS was set up to ensure that payment would no longer be a condition of treatment, but the Government have reversed that. They have turned those principles upside down. The internal market has created a system of competing health businesses, each vying with each other for its own niche of the market. That has caused inflexibility, duplication and waste. It has also led to a secrecy and a lack of accountability that has been damaging the service overall, as well as the interests of patients.

The ideology that the Conservatives have imposed on the NHS is totally at odds with its purpose. A collective, co-operative approach is needed to maximise efficiency. What is needed now is a commonsense approach to the NHS to rid the system of the commercialisation, fragmentation and privatisation that the internal market has caused.

Labour will maintain managers' ability to manage at local and regional level to secure the most appropriate services for patients in their region. Services will be properly planned. Duplication and waste will not be tolerated under Labour. Patients must be treated, first and foremost, according to clinical need, but the Government's reforms have perverted that principle. Patients of fundholders may receive quicker treatment than some people whose care is paid for by the health authority, especially if its contract is nearing its end, as happens at the end of every financial year. We have heard stories—and we have checked them out and know them to be true—that, come the end of the financial year hospitals are told by general practitioner fundholders, as they are by different health authorities, not to carry out operations because they are running out of money.

Charges for eye and dental check-ups were introduced and charges for prescriptions have spiralled over the 16 years of this Government. We know that one result is that people have been discouraged from taking eye tests. The number of tests fell dramatically when charges were introduced. We also know that NHS dentistry has been sabotaged by the Government's policies. In May 1995, the General Dental Practitioners Association reported that, since 1990, the proportion of dentistry carried out in the NHS had fallen by one third. I know from experience in my constituency of Doncaster, North that dentists have written to patients, saying that they will not treat any more NHS patients and offering them private cover.

Patients are being told that they can wait months to see a consultant, or choose to pay £50 to see the same person privately the following week if they can stump up the money: for some people, that is some choice. With 1 million people on waiting lists, there is a real temptation for people to take that option, but, of course, not everyone can afford to, and the Government know that.

Time after time, Government policy has undermined equal access to treatment and treatment based on clinical need, with the least well-off in our society the worst affected. Today, the British Medical Association chairman asked a question: where stands equity when the cash lottery dictates priority to patients with lesser need? At the same time as the market is skewing equal access, lower-income groups continue to suffer more ill health than the rest of society. With economic inequality on the increase, inequalities in health have become more marked.

There is evidence that the service in deprived areas is lower than in other parts of the country, but the Government refuse to take account of deprivation through changes to the funding formula. As bureaucracy has spiralled, health care has suffered. Nationally, about 12 per cent. of the health budget is spent on administration. In Doncaster, administration costs increased by 48 per cent. following the introduction of the internal market, rising to £6 million. Management costs have spiralled even higher.

The Government deny any problems. It is clear that Health Ministers do not read the newspapers and do not listen to either their Back Benchers or Labour Members. Patients are being flown miles across the country to find beds. People are waiting for hours on trolleys because there is no proper space for them in local hospitals. In Doncaster, a number of patients have been farmed out to other hospitals because no beds have been available.

Those are real problems affecting real people, but the Government's response has been non-existent. Instead, they just get on with the job of upsetting health service staff by offering the nurses a pay award of just 1 per cent., by ending national pay, by lumbering them with more administration, by undervaluing their contribution and by failing to listen to their concerns. One trust in Doncaster has not paid the full 3 per cent. award—only 2.5 per cent., with a 0.5 per cent. top-up for this year. That means that in years to come nurses will be 0.5 per cent. worse off. With inflation currently at 3.4 per cent., that is little more than an insult to the people who run our NHS.

Labour recognises that patients and staff are people, not units on a production line. They must all be treated with respect and their views listened to. The Government are failing to do that. The long-running dispute with dentists, the imposition of local pay and the dispute over out-of-hours work by general practitioners proves that. Patients need a voice too, and Labour will tackle the secrecy that the internal market has created, ensuring that both patients and staff have a say in their NHS. Labour will bolster the community health councils as advocates for patients.

In "Rebuilding the National Health Service", Labour has comprehensively set out its vision for the national health service. It is a practical, effective recipe for improvement—a way of removing the worst excesses of the internal market and bringing some sanity back into the NHS—

Mr. Fabricant: Will the hon. Gentleman give way?

Mr. Hughes: No, many of my hon. Friends are waiting to speak and we are running out of time.

The Government say that the NHS is safe in their hands, but for those who have had to wait months for operations, for those whose operations have been cancelled—14,500 people in the first three months of this

[Mr. Hughes]

year alone—and for those denied services while others jump the queue, Labour has a more impressive agenda to offer. We will dispense with the policies that have left some unfortunate people with a second-rate service; we will introduce a system that can provide a service second to none, which is fair in its distribution of services and effective at meeting the demands of those in need.

We have our agenda for change. The Government will not accept the need for change. The Government must go—and given the current shambles on the Conservative Benches that will be sooner rather than later.

5.53 pm

Lady Olga Maitland (Sutton and Cheam): The hon. Member for Doncaster, North (Mr. Hughes) made one true statement—that patients need a voice. How right he is, and that voice is coming from the Government. It has been passionately expressed by my right hon. Friend the Secretary of State for Health. I can think of no other person who has gone to greater lengths or shown greater commitment to giving patients a voice.

The Labour motion is a complete rag-bag of ideas. It focuses more on "growing alarm" than on any real care and concern, for the patient. Bearing in mind the fact that the Opposition tabled the motion, if they have so much care and concern, why are not their Benches full of Labour Members? Where are they? Their so-called concern for the patient is hypocrisy.

The Government have worked hard for years to get a good deal for patients. Indeed, the evidence of that is clear in the Government's amendment, which points out that

"over one million more patients are treated in hospital every year and waiting times have fallen to the lowest on record".

Why was the right hon. Member for Derby, South (Mrs. Beckett) incapable of paying tribute to those remarkable achievements? Why is she blind to progress? It strikes me that the Labour party is attempting to politicise the health service, rather than focus on patients.

We kept hearing emotive words from the right hon. Lady, such as privatisation is an ogre and the private finance initiative is a dirty phrase. I can tell Labour Members that the PFI will give the NHS a boost and broaden its imagination in a way that has never happened before. I draw the attention of the House to an innovative programme that has been proposed in my constituency for a new Sutton medical campus, which will have the latest in technology and services for patients. How is that to be carried through successfully to the next century? It is by consulting and working with a private finance initiative. I have no doubt that patients throughout the south-west London area will benefit enormously.

Another thought occurred to me when I was listening to the right hon. Lady. Among all her incoherence, she gave me the feeling that she had to alter the NHS just for the sake of it. I maintain, "If it ain't broke, don't mend it." Indeed, what is remarkable is that the NHS is providing a better service than ever before. The greatest evidence of that is that people are now living healthier lives and for much longer because of preventive care—*[Interruption.]* That does not happen by accident; it is a result of excellent treatment.

Mr. Alex Carlile: Is the hon. Lady satisfied with a situation in which poor people live, on average, eight years less than affluent people?

Lady Olga Maitland: The whole point is that everybody has a different life style. If people choose an unhealthy life style, it is difficult to impose better habits on them.

Mr. Carlile: They are poor people.

Lady Olga Maitland: Yes, but does the hon. and learned Gentleman accept that the NHS helps everybody in the community, irrespective of income? With better preventive care than ever before, everyone in the community is leading a healthier life—*[Interruption.]* If people choose to smoke cigarettes, that is their choice—

Mr. Carlile: So it is down to fags and chips then.

Lady Olga Maitland: If people choose to eat an unhealthy diet, that is their choice. We can offer them the opportunity of a healthier life. There is no evidence that people on low incomes need necessarily live shorter lives. The hon. and learned Gentleman's comment was bogus.

Let us look at the broader picture in the health service today. It is remarkable that the health service is spending £110 million a day on patient care. Sadly, that message does not always get across. When talking to people in the street, I find that the responses are curiously paradoxical. I ask somebody, "How are you getting on?" They might say, "I am getting on very well, thank you." I ask, "Have you recently had any health treatment?" They say, "Oh, yes; I received wonderful service. My operation was carried out promptly, the doctors were dedicated, the nurses were marvellous and I am home, fit and well." I ask, "Why, therefore, are you and so many other people worried and fearful for the future of the health service?" The answer comes back over and over again, "It is what Labour says on television, what Labour says in the media, what Labour says through its politicians."

There has been a very dangerous and irresponsible misinformation campaign. The Labour party is playing on people's fears; it is playing on the fears of elderly people, of young people, of young mothers. That is utterly wrong. Instead, we need to consider their experiences.

In my constituency, the successful St. Helier NHS trust is treating more people every year. Operations are performed more promptly, waiting times are shorter and more out-patients are treated. The Royal Marsden hospital is also in our community. It has an excellent reputation throughout the world for the service that it provides and it is backed by the Institute of Cancer Research, whose research is second to none. More people are screened earlier for cancer, they are treated earlier and their survival rate has vastly improved. No longer do they suffer the fears that they had before.

With modern technology and medical science, GPs are finding that the whole picture has changed. The concept of day surgery has changed the face of modern medicine. We no longer need the same number of acute beds. Day surgery has meant that people recover more quickly at home. They are back on their feet and back to work more quickly. Modern medicine with modern management has made all that possible.

Waiting times have been a curse in the past, and it is interesting to note that, before our reforms, more than 200,000 people were waiting more than a year for hospital

treatment. Today, the figure stands at only 31,600—the lowest since 1948. Indeed, over the past six years, the average waiting time has been cut in half. Half of all patients are seen right away—on the spot. The GP rings up, the appointment is made, the patient is seen; half the remainder are seen within five weeks. Nearly 75 per cent. are seen within three months and 98 per cent. are seen within a year. That leaves a tiny percentage of patients who have to wait for more than a year—the least urgent cases. Enormous progress is being made in our health service.

Those improvements have been noted. A British social attitudes survey published in November 1994 showed that more people were satisfied than not. A survey conducted for the National Association of Health Authorities and Trusts in 1994 showed that nine out of 10 patients who attended hospital in 1993 found the NHS very good, good or average and that three out of four found the service very good or good. That is a tremendous improvement on the past.

I shall turn briefly to the success of GP fundholding practices. I know that the Labour party is absolutely committed to sweeping away the independence of GP fundholders. Its deadly campaign against the independence of GP practices is very similar to what it tried to do to grant-maintained schools. It hates anybody or any authority having the ability to think and manage for themselves. It wants to drag people willy-nilly back under its centralised control and management—politicised management at that. Meddlesome Labour Members cannot let go and cannot stop interfering with other people's lives.

Even Labour party advisers have recognised the dangers of the interventionism that it advocates. Professor Julian Le Grand, founder of the Socialist Philosophy group, has described the health service as "the biggest success story" and noted that GP fundholding is

"now widely thought to be at the cutting edge of the reforms".

Professor Brian Abel-Smith, vice-president of the Fabian Society, co-authored a recent article which said:

"There is now overwhelming evidence that fund-holders are able to get a better deal for their patients from hospitals . . . Fund-holding represents a major transfer of power from specialists to GPs".

The success of fundholding has also been highlighted and praised by the Organisation for Economic Co-operation and Development, the National Audit Office, the King's Fund Research Institute and a four-year independent evaluation into GP fundholding in Scotland carried out by Professor John Howie and his team at Edinburgh university.

Why should the patient believe that the Labour party holds out any hope for progress or improvement? As an NHS patient, like anybody else in my constituency, I fear the Labour party's doctrinarian ideology. I fear the fact that Labour wants to bring politics into clinicians' decision making, undermining their work. I fear that patients will be faced with the gobbledegook of the Labour party. When the Labour party talks of comprehensive health care agreements, it means interference and meddling.

The Labour party will try to destroy incentives for hospitals to improve health care. I cannot see how that will benefit the patient.

Mr. Bayley: Will the hon. Lady give way?

Lady Olga Maitland: I am sorry, but I shall continue with my speech because I know that other hon. Members want to speak. At least one Labour Member wants to speak after me—at least I hope that he does; otherwise, it would show the paucity of Labour representation in this debate.

The Labour party is committed to abolishing compulsory competitive tendering, which will divert £100 million from patient care. I cannot see how that would benefit the individual. It is also going to persist with the minimum wage, which will cost the NHS £500 million. How will that help the patient? Surely we should concentrate all available resources on the patient himself.

The patient now faces a nightmare scenario. If this country ever decides to go down a socialist route, the patient will find that he comes second to confused, left-wing ideologies. I believe firmly that when patients look to their own interests, they will realise that there is only one way forward—the Conservative way.

6.9 pm

Mr. John Gunnell (Morley and Leeds, South): It is always a pleasure to follow the hon. Member for Sutton and Cheam (Lady Olga Maitland). When she looks at the Conservative central office brief, she should study the articles from which she takes her selective quotations. If she looks at the article by Brian Abel-Smith, to which she referred, she will find that there are references to some of the shortcomings of the fundholding system. Indeed, the article concludes that the Labour party should consider putting substantial extra funds into services in poorer areas. The hon. Lady was asked earlier about the health of poorer people, but she completely ignored the question. There are grave inequities in health care in our present system and it is important that they are corrected.

The hon. Member for Sutton and Cheam was wrong in some of the factual points she made. A constituent wrote to me recently saying that following a first appointment, she was told that she would be on a 78-week waiting list. Her back condition meant that she could not carry on with her work, so she was forced to seek private assistance; she could not wait 78 weeks to get back to work. Another case concerns an 84-year-old lady who required an urgent bladder operation. Her sons were able to pay for her to have the operation and did so. They did not, however, take her off the waiting list because they were interested to find out just how long it would take for her to have the operation under the NHS. It was two years later that she was told that she could have the operation for which her sons had paid two years previously. That 84-year-old would have had an inordinate wait which she should not have had to suffer. There are real concerns which the hon. Member for Sutton and Cheam simply ignores because she sees the NHS through rose-coloured spectacles. Perhaps Sutton and Cheam is very different from the areas that other hon. Members on both sides represent.

The Secretary of State was a little petulant in her opening speech. I am sure that she has seen the Labour party paper, "Rebuilding the National Health Service", to which my hon. Friend the Member for Doncaster, North

[Mr. John Gunnell]

(Mr. Hughes) referred. She must have been able to see that it was a constructive paper. It was also obvious that the hon. Member for Mid-Staffordshire (Mr. Fabricant) had not read the paper because most of what he said about it was completely wrong.

The Secretary of State and the Minister of State no doubt expected a wrecking paper. They find, however, a paper that is constructive in its approach to the NHS. It makes it clear that the reforms already in place will evolve. Some practices will be jettisoned because they cannot conform to the principles that we espouse for the health service. On the whole, however, the reforms will evolve to meet our principles and without any worsening of patient care or of the service given by GPs. It is obvious that our proposals will be welcomed by patients, by health professionals and by health authorities. Under the present system, health authorities could find themselves in conflict. The reforms recently introduced would reduce the significance of the health authorities and reduce their health promotion and health purchasing roles. I am convinced that the reforms that we will put in place and the transformation that we will bring will benefit the health service and the British public.

It is clear that our first principle is that of a national health service. We do not believe in a service that is an oligarchy, as suggested by the hon. Member for Mid-Staffordshire, in which all power is centralised. We believe in a service in which regional power and local power exist. We clearly state that we intend to ensure that at the local level, the people who operate the health authorities have a degree of local accountability and that accountability becomes a much more important word. Through the changes that we shall make, we shall reduce the inequities in the service and restore the accountability of the service. We shall make our changes on the basis of the minimum disruption to patient care.

The hon. Member for Sutton and Cheam also suggested that the wording of the motion was inappropriate at almost every point. The motion is clearly worded to show that we have a choice between an increasingly privatised service and a service that returns to being a truly public service. It is important that we consider that point now, when the level of privatisation in the health service is about to increase considerably, if the Conservatives remain in power.

In the early years of the reforms of the health service, the Government did not find it easy to progress privatisation. The market that they set up was not a real but a bogus or quasi-market. Both purchasers and providers depended on public finance. Although in their roles as purchasers and providers they entered into contracts and although money was transferred on the basis of episodes of patient care, the money was almost always public money which was transferred from one body to another. The market was often self-consciously not a market in terms of the normal market mechanisms that the Conservative party espouses.

As members of Leeds Health Care—the Leeds health authority—we were given strict instructions when the authority was set up about the two major hospitals in Leeds. Whatever prices we arrived at through the contracting procedures—one of the hospitals appeared for most purposes to be more expensive than the other—it was regarded as important that each of the hospitals remained viable and in existence. I entirely supported that view. Leeds clearly needs both the Leeds general infirmary and St. James's University hospital. A current review of Leeds health services will, I hope, start from the basis that each hospital is needed. I understood, therefore, why the market mechanism was not a normal market mechanism, but one in which there were priorities other than simply accepting the lowest tender.

It has been difficult for the Conservatives to progress their privatisation proposals as they wish. There is abhorrence in this country at the idea of making money out of people's ailments. There are other societies where that is not the case. Having lived in the United States for eight years, I am well aware that one can enter a completely different system in which one can feel vulnerable. I felt vulnerable when I took children to the United States, as one child developed pneumonia—a condition not covered by insurance. He had experienced that condition in the year before going to America. In those circumstances, one recognises the great strength of the NHS.

Despite what the hon Member for Mid-Staffordshire asserted, the NHS is now not free at the point of delivery. There are charges to pay at many different points of delivery, as the hon. Gentleman and other hon. Members well know. Nevertheless, the NHS provides a level of support that is absent in what one might call the more traditional financial market in health care. The Government have been slow to develop the private market in health care in the NHS.

The debate comes at a critical point, because it is clear that a number of initiatives are progressing apace. One specific area that has been developing since the introduction of the Community Care (Residential Accommodation) Act 1992 is the provision of private nursing care. We are aware that many hospitals seem to have a mechanism whereby people move rapidly from hospital care to private care.

Highlighted in *The Independent* recently was the work of Michael Fallon, a former Member of the House who lost his seat to my hon. Friend the Member for Darlington (Mr. Milburn). Mr. Fallon, who made it clear that he was developing "Quality Care", a private nursing home group, was a member of the Government's deregulation task force and an adviser on the private finance initiative.

Mr. Fallon suggested that it was important to take the initiative forward, and he looked forward to a time when companies which are at present operating nursing care will be allowed to run entire hospitals, including the employment of doctors and nurses, on behalf of NHS trusts. The private finance initiative is currently concerned with the various ways in which money can be made through the NHS. I do not think that the NHS has yet created any individual millionaires through the initiative, but that is seen to be a possibility for the future.

The Opposition have never taken the view that there are no appropriate ways in which the public and private sectors could work together, but there remains a suspicion of the direct involvement of the private sector in making profits out of health care.

Two other aspects have been highlighted recently. One is the increasing use of NHS facilities—in particular hospital facilities—to assist private patients. An article in the same edition of *The Independent* referred to the Royal Surrey county hospital at Guildford, which will be well known to the Secretary of State, and talked about its

provision of facilities for private patients. The article stated that those covered by private care—some 11 per cent. of the population—accounted for one in five of all those on the waiting lists for surgery. The facilities are being made available to the private sector because the income is extremely important to the trust, and the article made it clear just how important.

It is clear that there is preferential treatment as far as the receipt of surgery is concerned, which suggests that we have not a two-tier but a three-tier system. Those in the private sector have the best care, with those who are being treated by GP fundholders next on the list. The patients being treated by non-fundholders are at a lower stage.

Dr. John Yates has made a study of consultants and the incomes that they are receiving from private sector consultancies. He is concerned about the level of that private sector work in comparison with their public sector work. There will be a big increase in the level of privatisation in the service if the present Government remain in control, and that could well be to the loss of many people who rely on the health service in all circumstances.

It is important that people see that the Labour party's proposals in our recent document are constructive. In relation to GPs, we are proposing not to sweep away fundholding but to introduce a system of local commissioning on a wider scale so that the choice which is available currently to fundholders becomes available to non-fundholders too. I have seen examples in Leeds where operations were denied to non-fundholders because the contract was used up, and people wanting certain types of surgery have had to wait until the next financial year.

It is important that there is equality at GP level and that all GPs have similar access to hospitals and to hospital care. Far from being rigid, the pronouncements in our document make it clear that there will be many different forms of local commissioning and that we will encourage experimentation in that commissioning.

Our proposals are extremely constructive on trusts. The Secretary of State referred to trusts and their record of producing patient episodes, but what is not clear is the gain that trusts receive from being the owners of the hospital and from having a property management role. Our paper refers to hospitals, which makes a difference from most of the papers that we see nowadays. It is right that those hospitals are clearly publicly and communally owned, and not owned by individual trusts.

Lady Olga Maitland: Is the hon. Gentleman advocating political involvement in health trusts, and that councillors should take decisions over the heads of clinicians? All the evidence that the Labour party has given suggests exactly that. I cannot see how a patient would in any way benefit from such a system.

Mr. Gunnell: The hon. Lady ought to read the paper, and she will see that that is not the case. Of course, there may be a role for some members of a council. We have suggested, for example, that it may be constructive for the chair of a social services committee to be a member of the health authority. I was the chairman of a social services committee in Leeds and a member of the health authority, and it was possible to assist in getting those two bodies to work together. But we are not suggesting that all the people involved should be elected members. There should be a valid local reason for such a person to be a member of a health authority. We are not suggesting that they should all be elected members, but it is important to have some link with the local authority. Nor are we suggesting a lack of involvement on the part of professionals in the health service. Indeed, our proposals make it clear that there will be a wider role for them and that consultation with them will be an important factor in decision making.

The health service is at a crucial stage. A change of control is vital for the future of the service and, therefore, I very much look forward to the time when my right hon. Friend the Member for Derby, South (Mrs. Beckett) takes charge.

6.30 pm

Mr. Nicholas Brown (Newcastle upon Tyne, East): This debate has certainly drawn out the philosophical differences between the two political parties. The Opposition believe in a national health service based on the public service ethos, and the Conservatives believe in fragmented private markets.

As our motion makes clear, it is our fear that the public service ethos that underpins the NHS is being eroded. My hon. Friend the Member for Doncaster, North (Mr. Hughes) said that a doctor's first duty is to the patient—a point of view that is unexceptional on the Opposition side of the House. Mr. Roy Lilley, a leading Conservative thinker on such matters, and a man who is regarded as being in the vanguard of the Secretary of State's reforms, said recently that a doctor's first duty should be not to his patients, but to the employer. Every patient should carefully note that point of view, which comes from the Conservative side of the House.

The public service ethos of the national health service is undermined by the Conservative party's trusts. They are inserting gagging clauses in staff contracts, bringing a cult of Stalinism into the NHS, and preventing clinicians from speaking out. Recently, the Conservatives had the nerve to accuse us of wanting a command-and-control national health service, but it is they, not the Opposition, who have just renationalised functions that used to be carried out at the regional level of the NHS, but which are now being taken in-house, under the Secretary of State's direct control.

On the ground of commercial confidentiality, the Secretary of State is allowing national health service trusts—apparently still publicly owned—secrecy over their affairs. Commercial confidentiality in a public service—those two concepts do not sit happily together. The Nolan committee expressed concern at the appointment procedures used for the boards of NHS quangos. The chairman of the British Medical Association said today that the national health service is

"not so much an internal market as an infernal bazaar, in which considerations of cost reign supreme, whilst concerns for value and values are relegated to second place."

Those concerns are echoed by the clergy. Last year, the Bishop of Birmingham described the reforms as

"distressing, unchristian and morally wrong."

This year, the Bishop of Ripon denounced the internal market, and pointed out that it leads to a "lack of patient choice".

The Government defend what they have done on the ground that it has brought about efficiency savings that have benefited patients. We can see that they have brought about a substantial increase in NHS bureaucracy. It is

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harder to demonstrate that that has been to the benefit of patients. Until the reforms were introduced, administrative spending in Britain's health service was among the lowest in the world. At the moment, for every £10 spent in the health service, £1 is spent on administration. In 1989-90, it was £1 in every £20. That is a substantial increase.

The administrative costs of GP fundholding average £80,000 per practice, and trusts have spent around £117 million on conveyancing and image building. Every trust was given a one-off payment of £300,000 towards set-up costs.

Increasing bureaucracy has made patient admissions to hospital more complicated. It is a time-consuming paper-chase, and it was condemned in an article in the journal of the Institute of Economic Affairs, in June—a right-wing institute and not one associated with the Labour party. It described the red-tape nightmare in today's national health service thus:

"The very act of getting a patient on to a waiting list and then admitted has become a bureaucratic obstacle course for clinicians. The patient's postcode must be matched to their DHA. The GP must be identified in case they are fundholding. The procedure must be checked to see if it is chargeable to the GP or the DHA. The contract must be scrutinised to ensure it covers the proper operation . . . Sending the patient for admission requires many more hurdles to clear. An audit of one unit's admission process found 24 different steps were now required before the patient could be sent for."

The institute concludes:

"It is difficult to reconcile this with the White Paper's assertion that the 'reforms will make it easier for consultants and their colleagues to get on with the job of treating patients'."

That quotation is from a right-wing institute, not the Labour party.

Recently, the Select Committee on Health studied the London ambulance service to find out how well the Secretary of State's reforms were doing. I attempted to intervene on the Secretary of State, but she did not let me, and it will be pretty clear why when I read this passage from the report. That all-party Committee, which commands great authority in this place, had this to say about Ministers:

"We do not think that Ministers can be absolved of blame for the sorry record of the LAS. Ministers represent the final link in the chain of accountability. Had the political will existed at Ministerial level, the problems of the LAS might have been effectively addressed years ago. We are heartened by recent assurances that the political will does now exist."

We will wait and see what that turns out to mean in practice.

The Government's reforms have been accompanied by cost cutting on patient care. The recent scandal over the National Blood Authority purchasing cheap blood bags, which have turned out to be defective, has caused widespread public concern, as well it might. Running parallel—this might almost stand as a vignette for the entire NHS—to that scandal, which has relied so much on public good will to help sort it out, there has been a change in the structure of the key management of the service.

Where previously one director and a small staff would do, there are now 23 key managers, including 11 regional chief executives, some of whom are paid more than £100,000 per year, as well as getting a nice new leased car. The public look at the bloated management and the failing service, and draw their own conclusions.

In debate after debate—all initiated by the Opposition, as my hon. Friend the Member for Doncaster, North rightly pointed out—we have heard of wards running at dangerously high capacity because of the relentless, management-led drive to get rid of beds. We have heard of casualty departments shutting their doors to new admissions—for almost 40 hours at the Homerton hospital, which is a case in point. We have heard of patients being driven and flown hundreds of miles to find an available specialist bed.

The situation is especially serious in intensive care, sometimes with fatal results. More and more patients are having their operations cancelled at the last minute before admission because of bed shortages. Psychiatric departments in inner London hospitals are regularly running at capacities of as much as 120 per cent., with the result that seriously mentally ill people, who are in need of treatment, are being turned away.

The Secretary of State must be proud that new wards are being named after her, even if they are only corridors with trolleys parked up in them.

Lady Olga Maitland: Cheap.

Mr. Brown: That is exactly the point—it is cheap. The hon. Lady is right. That is our criticism of what is being done. The money should be spent on patient care, rather than on a burgeoning bureaucracy.

The service is over-reliant on junior doctors. We have the worst patient-to-consultant ratio of many our European neighbours. We over-use bank and agency nurses to drive down the staff bill. The only area where NHS trusts are not attempting to keep the wages bill down is that of senior managers' pay. In 1993-94, the remuneration of trust chief executives rose by an average of 6.6 per cent., which is particularly remarkable given that there was a public sector pay limit of 1.5 per cent. for that year. Perhaps managers no longer regard themselves as part of the public sector.

Local pay is designed to push down wages and terms and conditions of employment. Apparently, it is now intended that it will apply to junior doctors as well as to nursing staff, with individual trusts instead of regional authorities holding their contracts. I presume that that is a prelude to local pay bargaining for junior doctors as well.

No wonder staff morale is at rock bottom. A survey in *Doctor* magazine found that 75 per cent. of doctors would leave the national health service if they could. The number of consultants taking early retirement has increased by 212 per cent. since 1988. The range of national health service employers are finding recruitment more and more difficult. The position is particularly bad for nurses and junior doctors, and it is difficult to get GPs to serve in deprived inner-city areas.

It is exactly that emphasis on primary care that is the Government's justification for removing secondary services, particularly hospital beds. The Government's amendment boasts that

"waiting times have fallen to the lowest on record".

As a number of hon. Members have mentioned, Dr. Christopher Colton had something to tell us about that over the weekend. He says that the way in which he was ordered not to exceed his targets meant that he had to close his children's clinic for about four months and have no referrals. As he points out, it logically followed that he was seeing so few people that another target, that

nobody should wait for more than 30 minutes, was 100 per cent. successful and he was rewarded with a £20,000 bonus. If a service is shut and the number of people who use it is thinned out, naturally one achieves that target, but it is a reprehensible way to run a public service.

We believe in a unified public service, as my hon. Friend the Member for Morley and Leeds, South (Mr. Gunnell) pointed out. The Under-Secretary of State said recently that he sees no reason in principle why the private sector should not run entire hospitals on contract to the national health service. Expenditure on purchasing care from the private sector has increased by some 80 per cent. between 1992-93.

My hon. Friend the Member for Birmingham, Northfield (Mr. Burden) referred to the private finance initiative, which transfers risk to the public sector and profits to the private sector, and referred to its failings in his constituency.

Market testing in the national health service is progressing apace. Thirty clinical services have already been market-tested for privatisation and 1,100 private companies are on a Department of Health market testing database. The privatisation agenda is clear from a recent directive issued by the national health service executive, which expresses its concern that

"Collusion between providers and purchasers may prevent the entry of other organisations"—

I presume that that means private health care firms.

The Labour party believes that there should be no entry of other organisations, and that both purchasers and providers should be publicly owned. It is interesting that the Government's motion does not refer to the public ownership of those who have the provider functions. It

"welcomes the Government's commitment to a strong and stable publicly-funded NHS"

but does not go on to say that the trusts and general practitioners will be in the public sector. The implication of the Government's amendment is that that will not be the case.

The Conservative party has been in government for a long time. Perhaps power brings a complacency of its own. Let me tell Conservative Members what a former leader of the Conservative party, Disraeli, had to say when the Conservatives had been in opposition for 19 years:

"A leader should not be afraid to dismiss his followers."

The modern Conservative party, before its 19 years in opposition, clearly believes that the followers must not be afraid to dismiss the leader. The only thing that can be said with certainty about the last 10 days' events is that Mr. Hugh Grant has done his chances of getting elected leader of the Conservative party no good.

Today's BMA conference, perhaps anticipating the outcome of tomorrow's vote, has heard Dr. Sandy Macara say:

"We are labouring under an alien regime".

The present Secretary of State is apparently willing to do so. Her statement that she is willing to serve in a Redwood Government—we have not been told that she has been asked to serve in such a Government—may say something about the likelihood of her services being retained by the present regime.

I do not understand how the Government can come before the House with a motion boasting of success, when the whole world knows that the architect of that success is about to be fired. I do not see how the Secretary of State for Health can offer to serve under Mr. Redwood when their views are so obviously at variance. She will no doubt double cross that bridge when she comes to it.

Mr. Redwood—

Madam Deputy Speaker (Dame Janet Fookes): Order. I remind the hon. Gentleman of the convention that hon. Members do not refer to colleagues by name.

Mr. Brown: My problem is that it is difficult to keep up with the resignations, and I was not sure how far the right hon. Member for Wokingham (Mr. Redwood) had gone.

In his manifesto and recent speeches, the right hon. Member for Wokingham, as he is at the time of speaking, has offered to keep local hospitals—he describes them as "cherished institutions"—and to recruit more medical staff. He boasts that he will spend up to £114 million on the national health service in Wales next year. He also offers to cut taxes by £5 billion. Those policies are clearly the product of a great mind. He is right to want to breathe life back into the national health service, but combined with his tax cuts it will clearly be "life, John; but not as we know it."

While the Opposition deplore Mr. Redwood's drive towards the privatisation of public service—

Madam Deputy Speaker: Order. The hon. Gentleman has forgotten my previous admonition. He must refer to the right hon. Member for Wokingham (Mr. Redwood).

Mr. Brown: Yes, Madam Deputy Speaker. We deplore the drive towards privatisation of the hon. Member for Wokingham—

Dame Elaine Kellett-Bowman: Right honourable.

Mr. Brown: The hon. Lady is right.

Madam Deputy Speaker: Order. Those matters may safely be left to me.

Mr. Brown: I think so too, Madam Deputy Speaker. I was certain that the Prime Minister would not have deprived the right hon. Member for Wokingham of his membership of the Privy Council.

The right hon. Member for Wokingham has spoken of

"the shining principles of the national health service";

our motion speaks of "the cherished principles". The right hon. Gentleman has condemned excessive bureaucracy; our motion condemns excessive bureaucracy. Our motion calls for

"a slowing down of the passion for reorganisation".

We lifted that phrase word for word from the right hon. Gentleman's speech.

Our motion calls for change in the national health service to

"be based on health arguments, not financial considerations."

The right hon. Gentleman said that change in the national health service

"must be based on the health arguments, not financial considerations"—

just as our motion says. Clearly, the right hon. Gentleman's advice to Conservative Members is, "Save your seats." I must tell them, "Vote for Labour's motion." May I add some helpful advice of my own to those

[Mr. Brown]

Conservative Members who really want to save their seats at the next election: the very best chance they have is to stand as a Labour candidate.

6.48 pm

The Minister for Health (Mr. Gerald Malone): I shall resist the temptation placed before me by the hon. Member for Newcastle upon Tyne, East (Mr. Brown) to follow him down his road of puns instead of discussing the substance of the debate. It has been an extraordinary debate, because it afforded an opportunity for the Labour party to set out with some clarity what lay behind its paper, so recently published, about the future of the health service.

Straining at the speeches of the right hon. Member for Derby, South (Mrs. Beckett) and her Opposition friends, it was obvious to me that what was certain about that document was that there was a change of philosophy. It is a centralist philosophy, concentrating power in an old-fashioned health service whose time has gone. It was a philosophy of replacing bureaucracy, recently abolished, and it was a philosophy of taking away from clinicians the discretion that they have been given by the Government—no more so than in GP fundholding.

The debate was typified, again and again, by the myths and scares that we so often hear from the Labour party. I felt the same frustration during the debate that I once felt when I was in the "Today" studios at Radio 4 in the morning, when, having set out the facts of the matter, I was greeted with the astonished and pathetic plea, "The facts are all very well, Minister, but?" That is the Labour party's approach throughout: the facts are all very well, but.

I turn to a matter that was mentioned by the right hon. Member for Derby, South specifically, when she spoke about facts. She constantly tells the House—

Mr. Andrew Miller (Ellesmere Port and Neston) *rose—*

Mr. Malone: I will not give way; I have been given very little time.

The right hon. Lady constantly tells the House that we skew the figures. She and her hon. Friends always pray in aid the fact that we use finished consultant episodes to organise and describe the activity that takes place in the national health service.

Let me take the opportunity to tell the House the basis for those figures, and perhaps to surprise the right hon. Lady by reminding her that the figures had their genesis in the royal commission appointed by the last Labour Government in 1976, which, when it reported, said that there was no satisfactory basis of measuring activity in the NHS.

As a result, a group was eventually set up under the chairmanship of Edith Körner, who was then vice-chairman of the South-Western regional health authority. The aim of its investigations was to find a system that would accurately reflect the information needed by management to perform complex tasks of efficient administration, effective planning and genuine accountability.

That steering group's ultimate report said that, if the work done by individual consultants as specialty groups is to be accurately recorded, each consultant episode must be separately identified. That was the basis on which the change was made.

It is astonishing that, between 1979 and 1989, when the changes were made, not only did the Labour party make no criticism of that change, but it called for the more rapid introduction of the changes. I have consulted the *Official Report*, and there—lo and behold—over the years, and as recently as 1988, is the hon. Member for Holborn and St. Pancras (Mr. Dobson), urging the Government, in question after question, to get on with it. What were the Government afraid of? Were they afraid that those statistics would cause them a problem?

The simple truth—which the whole House should always remember when the Labour party makes those accusations in the way it does—is that the figures were a fine stick with which to beat the Government when the Labour party believed that it would suit its purpose, but, when it became clear that the activity in the national health service, as measured by those new and well-founded statistics, was not going to fit its arguments, it started to criticise them.

It is important that as those figures, described as "mere statistics" by the—

Mr. Miller *rose—*

Mr. Malone: I have told the hon. Gentleman that I shall not give way.

The truth is that those are important facts, determined using the best methodology that is available. The House should know that, and I have pleasure in placing it firmly on the record.

I turn to several of the arguments that were made in the debate. The hon. Member for Birmingham, Northfield (Mr. Burden) expressed unease about the private finance initiative as it affected his constituency. The whole purpose of the PFI is to secure better care of patients and best value for money for the taxpayer. There is a transfer of risk, often away from the public sector to the private sector. That is the intention, and it benefits the national health service.

As far as the constituency of the hon. Member for Northfield is concerned, I would remind him that the reforms have served it well. No Birmingham in-patient or day case now waits longer than nine months for treatment. All Birmingham health authorities are signed up to a target of having no in-patient or day care patient case waiting more than six months by March 1996. If the hon. Member does not believe that that is good, and a vindication of the reforms in his constituents' eyes, I believe that they feel very differently.

My hon. Friend the Member for Broxbourne (Mrs. Roe), as always, made an important speech.

Mr. Burden: Will the hon. Gentleman give way?

Mr. Malone: I am not giving way to the hon. Gentleman.

My hon. Friend emphasised the benefits of partnership with the private sector. I agree with her entirely. It is important that we are not—as the Labour party is—purblind to the benefits that others can bring to the health service. Partnership brings in extra funds and extra activity. That is to be welcomed.

The hon. and learned Member for Montgomery (Mr. Carlile) made two specific inquiries. He queried why the chief executive of Nottingham Healthcare is leaving, and he suggested, rather strangely, that he did not want any "off-the-shoulder" remarks from me. I do not quite know what that means. I believe that he meant "shooting from the hip." He has been watching too many Versace dresses in the papers recently, and he is getting his analogies mixed up.

I can tell the hon. and learned Gentleman what the background is. I repeat what I said to him; there certainly has been no interference from Government. Dr. Reynolds is leaving on 10 October 1995 to take up a new post in the private hospital sector. I understand that Dr. Reynolds has a background in the pharmaceutical industry, and that he joined Nottingham Healthcare only on the understanding that at some time he would return to the private sector.

The hon. Member for Doncaster, North (Mr. Hughes) gave some general support to Labour party policy, but he was unable in any sense to say how much better health would be under those policies.

Something was markedly absent from the debate—very much the dog that did not bark. The Labour party has published a document, and I believed that the debate might give us an opportunity to hear the answer to the following question. How much money is the Labour party prepared to add to the national health service if it intends to bring about those great changes? What will its commitment be?

I say to the right hon. Member for Derby, South, if she is saying that there will be more commitment—every implication of what she says at that Dispatch Box and in the House is that more funding will be needed—what will the level of funding be? Will she tell the House tonight that she would at least do as well as the Government have done since they came into office and during the present Parliament, in increasing resources in real terms year on year? The right hon. Lady will not answer, and she is pretending that she does not hear what I am saying by being in deep conversation with her hon. Friends.

There we are, Madam Deputy Speaker. We hear that there is absolutely no commitment—no attempt to put us right on that issue.

We have had a typical debate from the Labour party, in which Labour Members have bad-mouthed a series of things that are happening in the NHS. They bad-mouthed management, as my right hon. Friend the Secretary of State says continually. It is a disgrace to bad-mouth management, who have delivered so much in the NHS.

In the NHS, fewer people are now involved in management, as compared with patient care, than 12 years ago. Sixty per cent. of people were involved in patient care about 12 years ago; now 66 per cent. are. That is an improvement, and it is a benchmark by which the Government are prepared to be judged.

Labour Members lose no opportunity, do they, to raise scares that are unfounded? I return to an argument that the right hon. Member for Derby, South made in the previous debate about health, when she made certain accusations about events that were going on in my constituency, concerning a patient who had not received proper treatment. It is a disgrace that, even when given the opportunity to retract, she has not done so.

The right hon. Lady has managed to get herself in the position in which not only am I pretty cross about her making unfounded accusations about a hospital in my constituency, but the chairman of the trade union group in that hospital has urged her to make a formal apology, and she has not. It takes quite something for me to forge an alliance in my constituency with that gentleman.

We have heard yet another debate in which Labour Members have made sterile arguments. We have heard the Labour party's philosophy of taking the health service back into central hands, abolishing GP fundholding and ruining the discretion of trusts—trusts that are developing unparalleled levels and quality of health care. The Labour party would destroy the health service that we have created. It has been in our hands for longer than it has been in the Labour party's hands. It will continue to improve in our hands. That is what its future will be.

Question put, That the original words stand part of the Question:—

The House divided: Ayes 218, Noes 288.

Division No. 189] **[7.00 pm**

AYES

Abbott, Ms Diane
Adams, Mrs Irene
Ainger, Nick
Ainsworth, Robert *(Cov'try NE)*
Allen, Graham
Alton, David
Ashdown, Rt Hon Paddy
Ashton, Joe
Banks, Tony *(Newham NW)*
Barnes, Harry
Barron, Kevin
Battle, John
Bayley, Hugh
Beckett, Rt Hon Margaret
Bell, Stuart
Benn, Rt Hon Tony
Benton, Joe
Bermingham, Gerald
Berry, Roger
Betts, Clive
Blunkett, David
Bray, Dr Jeremy
Brown, N *(N'c'tle upon Tyne E)*
Burden, Richard
Byers, Stephen
Cabom, Richard
Callaghan, Jim
Campbell, Mrs Anne *(C'bridge)*
Campbell, Menzies *(Fife NE)*
Campbell, Ronnie *(Blyth V)*
Campbell-Savours, D N
Cann, Jamie
Carlile, Alexander *(Montgomery)*
Chisholm, Malcolm
Church, Judith
Clapham, Michael
Clark, Dr David *(South Shields)*
Clarke, Eric *(Midlothian)*
Clarke, Tom *(Monklands W)*
Clelland, David
Clwyd, Mrs Ann
Coffey, Ann
Cohen, Harry
Corbett, Robin
Corbyn, Jeremy
Corston, Jean
Cummings, John
Cunningham, Jim *(Covy SE)*
Dafis, Cynog
Dalyell, Tam
Darling, Alistair
Davidson, Ian
Davies, Bryan *(Oldham C'tral)*
Davies, Rt Hon Denzil *(Llanelli)*
Davies, Ron *(Caerphilly)*
Davis, Terry *(B'ham, H'dge H'l)*
Dewar, Donald
Dixon, Don
Dobson, Frank
Donohoe, Brian H
Dowd, Jim
Dunnachie, Jimmy
Dunwoody, Mrs Gwyneth
Eagle, Ms Angela
Eastham, Ken
Etherington, Bill
Evans, John *(St Helens N)*
Fatchett, Derek
Faulds, Andrew
Field, Frank *(Birkenhead)*
Fisher, Mark
Flynn, Paul
Foster, Rt Hon Derek
Foster, Don *(Bath)*
Foulkes, George
Fraser, John
Fyfe, Maria
Galloway, George
Garrett, John
Godman, Dr Norman A
Godsiff, Roger
Golding, Mrs Llin
Gordon, Mildred
Grant, Bernie *(Tottenham)*
Griffiths, Win *(Bridgend)*
Grocott, Bruce
Gunnell, John
Hain, Peter
Hall, Mike
Hanson, David
Hattersley, Rt Hon Roy
Henderson, Doug
Hill, Keith *(Streatham)*
Hodge, Margaret
Hoey, Kate
Hogg, Norman *(Cumbernauld)*

Hood, Jimmy
Hoon, Geoffrey
Howarth, George *(Knowsley North)*
Howells, Dr. Kim *(Pontypridd)*
Hoyle, Doug
Hughes, Kevin *(Doncaster N)*
Hughes, Robert *(Aberdeen N)*
Hughes, Roy *(Newport E)*
Hughes, Simon *(Southwark)*
Hutton, John
Illsley, Eric
Ingram, Adam
Jackson, Glenda *(H'stead)*
Jamieson, David
Janner, Greville
Jones, Barry *(Alyn and D'side)*
Jones, Lynne *(B'ham S O)*
Jones, Martyn *(Clwyd, SW)*
Jowell, Tessa
Khabra, Piara S
Kilfoyle, Peter
Lestor, Joan *(Eccles)*
Lewis, Terry
Liddell, Mrs Helen
Litherland, Robert
Livingstone, Ken
Lloyd, Tony *(Stretford)*
Loyden, Eddie
Lynne, Ms Liz
McAllion, John
McAvoy, Thomas
Macdonald, Calum
McFall, John
McKelvey, William
McLeish, Henry
McMaster, Gordon
MacShane, Denis
McWilliam, John
Madden, Max
Marshall, David *(Shettleston)*
Marshall, Jim *(Leicester, S)*
Martin, Michael J *(Springburn)*
Martlew, Eric
Maxton, John
Meacher, Michael
Meale, Alan
Michie, Bill *(Sheffield Heeley)*
Michie, Mrs Ray *(Argyll & Bute)*
Milburn, Alan
Miller, Andrew
Mitchell, Austin *(Gt Grimsby)*
Moonie, Dr Lewis
Morgan, Rhodri
Morris, Estelle *(B'ham Yardley)*
Morris, Rt Hon John *(Aberavon)*
Mudie, George
Mullin, Chris
Murphy, Paul
Oakes, Rt Hon Gordon
O'Brien, Mike *(N W'kshire)*
O'Brien, William *(Normanton)*
Olner, Bill
O'Neill, Martin
Orme, Rt Hon Stanley
Pearson, Ian
Pike, Peter L
Powell, Ray *(Ogmore)*
Prentice, Bridget *(Lew'm E)*
Prentice, Gordon *(Pendle)*
Prescott, Rt Hon John
Primarolo, Dawn
Purchase, Ken
Quin, Ms Joyce
Radice, Giles
Randall, Stuart
Raynsford, Nick
Reid, Dr John
Rendel, David
Robertson, George *(Hamilton)*
Robinson, Geoffrey *(Co'try NW)*
Rogers, Allan
Rooker, Jeff
Rooney, Terry
Ruddock, Joan
Sedgemore, Brian
Sheerman, Barry
Sheldon, Rt Hon Robert
Short, Clare
Skinner, Dennis
Smith, Andrew *(Oxford E)*
Smith, Chris *(Isl'ton S & F'sbury)*
Smith, Llew *(Blaenau Gwent)*
Snape, Peter
Soley, Clive
Spearing, Nigel
Spellar, John
Squire, Rachel *(Dunfermline W)*
Steel, Rt Hon Sir David
Steinberg, Gerry
Stevenson, George
Straw, Jack
Sutcliffe, Gerry
Taylor, Mrs Ann *(Dewsbury)*
Taylor, Matthew *(Truro)*
Timms, Stephen
Tipping, Paddy
Turner, Dennis
Tyler, Paul
Vaz, Keith
Walley, Joan
Wardell, Gareth *(Gower)*
Wareing, Robert N
Watson, Mike
Welsh, Andrew
Wicks, Malcolm
Williams, Rt Hon Alan *(Sw'n W)*
Williams, Alan W *(Carmarthen)*
Winnick, David
Worthington, Tony
Wray, Jimmy
Wright, Dr Tony
Young, David *(Bolton SE)*

Tellers for the Ayes:
Mr. Jon Owen Jones and Mrs. Barbara Roche.

NOES

Ainsworth, Peter *(East Surrey)*
Alexander, Richard
Alison, Rt Hon Michael *(Selby)*
Allason, Rupert *(Torbay)*
Amess, David
Ancram, Michael
Arbuthnot, James
Arnold, Jacques *(Gravesham)*
Arnold, Sir Thomas *(Hazel Grv)*
Ashby, David
Atkins, Rt Hon Robert
Atkinson, David *(Bour'mouth E)*
Atkinson, Peter *(Hexham)*
Baker, Rt Hon Kenneth *(Mole V)*
Baker, Nicholas *(North Dorset)*
Baldry, Tony
Banks, Matthew *(Southport)*
Bates, Michael
Batiste, Spencer
Bellingham, Henry
Bendall, Vivian
Beresford, Sir Paul
Biffen, Rt Hon John
Bonsor, Sir Nicholas
Booth, Hartley
Boswell, Tim
Bottomley, Peter *(Eltham)*
Bottomley, Rt Hon Virginia
Bowden, Sir Andrew
Bowis, John
Boyson, Rt Hon Sir Rhodes
Brandreth, Gyles
Brazier, Julian
Bright, Sir Graham
Brooke, Rt Hon Peter
Brown, M *(Brigg & Cl'thorpes)*
Browning, Mrs Angela
Bruce, Ian *(Dorset)*
Budgen, Nicholas
Burns, Simon
Burt, Alistair
Butcher, John
Butler, Peter
Butterfill, John
Carlisle, John *(Luton North)*
Carlisle, Sir Kenneth *(Lincoln)*
Carrington, Matthew
Carttiss, Michael
Cash, William
Channon, Rt Hon Paul
Churchill, Mr
Clappison, James
Clarke, Rt Hon Kenneth *(Ru'cliff)*
Coe, Sebastian
Colvin, Michael
Congdon, David
Conway, Derek
Coombs, Anthony *(Wyre For'st)*
Cope, Rt Hon Sir John
Cormack, Sir Patrick
Couchman, James
Cran, James
Curry, David *(Skipton & Ripon)*
Davies, Quentin *(Stamford)*
Davis, David *(Boothferry)*
Day, Stephen
Deva, Nirj Joseph
Devlin, Tim
Dicks, Terry
Dorrell, Rt Hon Stephen
Douglas-Hamilton, Lord James
Duncan, Alan
Duncan-Smith, Iain
Dunn, Bob
Durant, Sir Anthony
Dykes, Hugh
Eggar, Rt Hon Tim
Evans, David *(Welwyn Hatfield)*
Evans, Jonathan *(Brecon)*
Evans, Nigel *(Ribble Valley)*
Evans, Roger *(Monmouth)*
Evennett, David
Faber, David
Fabricant, Michael
Fenner, Dame Peggy
Field, Barry *(Isle of Wight)*
Fishburn, Dudley
Forman, Nigel
Forsyth, Rt Hon Michael *(Stirling)*
Forth, Eric
Fowler, Rt Hon Sir Norman
Fox, Dr Liam *(Woodspring)*
Fox, Sir Marcus *(Shipley)*
Freeman, Rt Hon Roger
French, Douglas
Gale, Roger
Gardiner, Sir George
Garel-Jones, Rt Hon Tristan
Garnier, Edward
Gill, Christopher
Gillan, Cheryl
Goodson-Wickes, Dr Charles
Gorman, Mrs Teresa
Gorst, Sir John
Grant, Sir A *(SW Cambs)*
Greenway, Harry *(Ealing N)*
Greenway, John *(Ryedale)*
Griffiths, Peter *(Portsmouth, N)*
Grylls, Sir Michael
Gummer, Rt Hon John Selwyn
Hague, William
Hamilton, Rt Hon Sir Archibald
Hamilton, Neil *(Tatton)*
Hampson, Dr Keith
Hannam, Sir John
Hargreaves, Andrew
Haselhurst, Sir Alan
Hawkins, Nick
Hawksley, Warren
Hayes, Jerry
Heald, Oliver
Heath, Rt Hon Sir Edward
Hendry, Charles
Heseltine, Rt Hon Michael
Hicks, Robert
Higgins, Rt Hon Sir Terence
Hogg, Rt Hon Douglas *(G'tham)*
Horam, John
Hordern, Rt Hon Sir Peter
Howard, Rt Hon Michael
Howarth, Alan *(Strat'rd-on-A)*
Howell, Sir Ralph *(N Norfolk)*
Hughes, Robert G *(Harrow W)*
Hunt, Rt Hon David *(Wirral W)*
Hunt, Sir John *(Ravensbourne)*
Hunter, Andrew
Hurd, Rt Hon Douglas
Jack, Michael
Jackson, Robert *(Wantage)*
Jenkin, Bernard
Jessel, Toby
Johnson Smith, Sir Geoffrey
Jones, Gwilym *(Cardiff N)*
Jones, Robert B *(W Hertfdshr)*
Kellett-Bowman, Dame Elaine
Key, Robert
King, Rt Hon Tom
Kirkhope, Timothy
Knapman, Roger
Knight, Mrs Angela *(Erewash)*
Knight, Greg *(Derby N)*
Knight, Dame Jill *(Bir'm E'st'n)*
Knox, Sir David
Kynoch, George *(Kincardine)*
Lait, Mrs Jacqui
Lamont, Rt Hon Norman
Lang, Rt Hon Ian
Lawrence, Sir Ivan
Legg, Barry
Leigh, Edward
Lennox-Boyd, Sir Mark
Lidington, David
Lilley, Rt Hon Peter
Lloyd, Rt Hon Sir Peter *(Fareham)*
Lord, Michael
Luff, Peter
MacKay, Andrew
Maclean, Rt Hon David
McLoughlin, Patrick
McNair-Wilson, Sir Patrick
Madel, Sir David
Maitland, Lady Olga
Major, Rt Hon John
Malone, Gerald

Mans, Keith
Marland, Paul
Marlow, Tony
Marshall, John *(Hendon S)*
Martin, David *(Portsmouth S)*
Mates, Michael
Mawhinney, Rt Hon Dr Brian
Mellor, Rt Hon David
Merchant, Piers
Mills, Iain
Mitchell, Andrew *(Gedling)*
Moate, Sir Roger
Montgomery, Sir Fergus
Nelson, Anthony
Neubert, Sir Michael
Newton, Rt Hon Tony
Nicholls, Patrick
Nicholson, David *(Taunton)*
Nicholson, Emma *(Devon West)*
Norris, Steve
Onslow, Rt Hon Sir Cranley
Oppenheim, Phillip
Ottaway, Richard
Page, Richard
Paice, James
Patnick, Sir Irvine
Pattie, Rt Hon Sir Geoffrey
Pawsey, James
Peacock, Mrs Elizabeth
Pickles, Eric
Porter, Barry *(Wirral S)*
Porter, David *(Waveney)*
Portillo, Rt Hon Michael
Powell, William *(Corby)*
Rathbone, Tim
Redwood, Rt Hon John
Renton, Rt Hon Tim
Richards, Rod
Riddick, Graham
Rifkind, Rt Hon Malcolm
Robathan, Andrew
Roberts, Rt Hon Sir Wyn
Robertson, Raymond *(Ab'd'n S)*
Robinson, Mark *(Somerton)*
Roe, Mrs Marion *(Broxbourne)*
Rowe, Andrew *(Mid Kent)*
Rumbold, Rt Hon Dame Angela
Ryder, Rt Hon Richard
Sackville, Tom
Scott, Rt Hon Sir Nicholas
Shaw, David *(Dover)*
Shaw, Sir Giles *(Pudsey)*
Shephard, Rt Hon Gillian
Shepherd, Colin *(Hereford)*
Shepherd, Richard *(Aldridge)*
Shersby, Sir Michael
Sims, Roger
Smith, Tim *(Beaconsfield)*
Soames, Nicholas
Spencer, Sir Derek
Spicer, Sir James *(W Dorset)*
Spicer, Michael *(S Worcs)*
Spink, Dr Robert
Spring, Richard
Sproat, Iain
Squire, Robin *(Hornchurch)*
Steen, Anthony
Stephen, Michael
Stern, Michael
Stewart, Allan
Streeter, Gary
Sumberg, David
Sweeney, Walter
Sykes, John
Tapsell, Sir Peter
Taylor, Ian *(Esher)*
Taylor, John M *(Solihull)*
Taylor, Sir Teddy *(Southend, E)*
Temple-Morris, Peter
Thompson, Sir Donald *(C'er V)*
Thompson, Patrick *(Norwich N)*
Thornton, Sir Malcolm
Thurnham, Peter
Townend, John *(Bridlington)*
Townsend, Cyril D *(Bexl'yh'th)*
Tracey, Richard
Tredinnick, David
Trend, Michael
Trotter, Neville
Twinn, Dr Ian
Vaughan, Sir Gerard
Viggers, Peter
Walden, George
Walker, Bill *(N Tayside)*
Waller, Gary
Ward, John
Wardle, Charles *(Bexhill)*
Waterson, Nigel
Watts, John
Wells, Bowen
Wheeler, Rt Hon Sir John
Whitney, Ray
Whittingdale, John
Widdecombe, Ann
Wiggin, Sir Jerry
Wilkinson, John
Willetts, David
Wilshire, David
Winterton, Mrs Ann *(Congleton)*
Winterton, Nicholas *(Macc'fld)*
Wolfson, Mark
Wood, Timothy
Yeo, Tim
Young, Rt Hon Sir George

Tellers for the Noes:
Mr. David Lightbown and
Mr. Sydney Chapman.

Question accordingly negatived.

Question, That the proposed words be there added, *put forthwith pursuant to Standing Order No. 30 (Questions on amendments) and agreed to.*

MADAM DEPUTY SPEAKER *forthwith declared the main Question, as amended, to be agreed to.*

Resolved,

That this House notes that since the introduction of the Government's health reforms, over one million more patients are treated in hospital every year and waiting times have fallen to the lowest on record; welcomes the Government's commitment to a strong and stable publicly-funded NHS where trusts and general practitioner fundholders are free to build further on these achievements; and condemns the inadequate, inconsistent and incoherent policies of Her Majesty's Opposition, which would destroy the key features of the new NHS, would undermine patients' interests and would throw into reverse the progress of recent years.

PRIVATE BUSINESS

Queen Mary and Westfield College Bill
(*By Order*)

Order for Third Reading read—Queen's consent, on behalf of the Crown, signified.

7.13 pm

Mr. Peter Brooke (City of London and Westminster, South): The right hon. Member for Bethnal Green and Stepney (Mr. Shore), who moved the Bill's Second Reading, is abroad on parliamentary business and is therefore unable to be present tonight.

The Bill is promoted by three colleges of the university of London, of whose council I am a member, an interest which I declare. In the era of the ultra cautious, I should perhaps add that my mother, who is entitled as a noble Baroness to sit in another place, has been an honorary fellow of Westfield, and I learnt to play tennis upon its courts. One of the colleges, St. Bartholomew's hospital medical college, is in my constituency.

The Bill is designed to bring about the merger of those three colleges. Two of them, Bart's and the London hospital medical college, are medical colleges, the third, Queen Mary and Westfield, is a multi-faculty institution. It is the fourth largest college of the university of London. The Bill is designed to bring those three colleges together into one institution in line with developments across London, which are integrating medical and dental education and research within multi-faculty institutions. Those developments enjoy the widest measure of support in the academic and medical worlds.

The Bill received overwhelming support on Second Reading after a speech of great length and admirably consistent relevance by the hon. Member for Hackney, South and Shoreditch (Mr. Sedgemore). It has passed its Committee stage and I hope that hon. Members will support its Third Reading.

It is now some five years since the three colleges joined together in the City and East London Confederation for Medicine and Dentistry, when the pre-clinical departments from the two medical colleges were transferred to Queen Mary and Westfield college. This has been successful, but it is now agreed that the process needs to be taken further. To be able to educate those medical and dental students with the widest curricular opportunities; to give them a much fuller experience of being educated alongside students of other subjects; and to strengthen research both within medicine and across disciplinary boundaries, that union of the colleges is imperative.

Is the Bill needed for that purpose? The answer is an unequivocal yes. The colleges have powers to co-operate and collaborate. They could create a joint school of medicine and dentistry, but without the Bill they cannot come together as a single institution with one governing body and single administrative, financial, managerial and academic structures. No misuse of the royal prerogative is involved: only legislation can bring about the full legal merger of the colleges. A number of consequential changes are then needed to the statutes of Queen Mary and Westfield college, which require the approval of the Privy Council. Those amendments will not come into force until the Bill is enacted.

How do the Bill and the merger proposals relate to St. Bartholomew's hospital? Hon. Members will be aware of my views about the decisions relating to St. Bartholomew's hospital to transfer its activities to the Royal London hospital at Whitechapel. The three colleges each concluded, prior to the decisions on the future of St. Bartholomew's hospital, that their merger and the creation of a new school of medicine and dentistry was unquestionably the right thing to do. It is the right thing to do even if St. Bartholomew's hospital were to remain. The new school of medicine and dentistry would then teach its students and conduct its research at the Royal London hospital at Whitechapel and St. Bartholomew's hospital in West Smithfield in the City.

If Bart's closes, teaching and research will have to take place elsewhere. I still entertain the hope that, despite the decision earlier this year, Bart's will escape closure. If that is so, the new college and medical school will take full advantage of the facilities and activities at West Smithfield. If the hospital ceases its activities, it is absolutely vital that the new unified school is brought into being and the education of students and medical and dental research are able to carry on unimpeded elsewhere.

Does the Bill involve the destruction of Bart's medical college, as was alleged on Second Reading? Saving the grace of my parliamentary neighbour, the hon. Member for Hackney, South and Shoreditch, it does not. A medical school or, indeed, any other academic institution, is not just the physical buildings in which it operates. It is, above all else, people working in an environment which has, over the years, developed certain characteristics, reputation and ethos.

St. Bartholomew's hospital medical college, like the London hospital medical college, will certainly undergo change in the process of amalgamation. But the same number of medical and dental students will be educated, at least the same amount of research will be prosecuted, all the staff will continue to be employed and, overall, the facilities and opportunities secured by the merger should be greater.

The process of bringing together three separate institutions such as this is not without its difficulties and the process is a challenging one for all involved. But opportunities are offered here, and all three college councils are convinced that it is the right way forward.

The Bill is important for London and for medical education generally. As can be seen from the Second Reading debate, no coherent arguments can be advanced against it. The proposal even enjoys the support of *The Times Higher Education Supplement*, although some might think that that is a poisoned chalice. I commend the Bill to the House.

7.20 pm

Mr. Brian Sedgemore (Hackney, South and Shoreditch): I am delighted to follow the right hon. Member for City of London and Westminster, South (Mr. Brooke), who spoke with his usual charm, grace and conciseness—perhaps that will be a lesson to me as I spoke for two and a quarter hours in the previous debate on the subject. I shall not do that tonight. The right hon. Member for City of London and Westminster, South certainly draws the short straw. Only a week ago he was introducing in the House a private Bill that he apparently found so disdainful that he never pressed it to a vote.

My right hon. Friend the Member for Bethnal Green and Stepney (Mr. Shore), who moved the Second Reading of the Bill, has found it such a poisoned chalice that he has this evening absented himself on a parliamentary visit. I wonder what procedural device the right hon. Member for City of London and Westminster, South will use to block the Bill tonight.

Madam Deputy Speaker (Dame Janet Fookes): Order. Perhaps the hon. Gentleman would come to the subject of the debate.

Mr. Sedgemore: Of course, I shall, Madam Deputy Speaker. I was trying to give a charming and easy introduction to put everyone at ease.

We meet on a tumultuous evening, with historic events about to take place tomorrow. People are naturally asking me what the link is between the Queen Mary and Westfield College Bill and the election of the leader of the Conservative party. I imagine that it is precisely because there is a link that the Chairman of Ways and Means has tabled the Bill for debate tonight. There is such a disruptive campaign taking place that we all expect an election, probably by Christmas—by spring at the latest—which, of course, the Labour party will win. That means that St. Bartholomew's hospital will be saved. After the hospital has been saved, we shall look again at the position of the medical colleges of St. Bartholomew's hospital and the London hospital.

I am told that there is only one unifying force in the extraordinarily disruptive campaign involving the Prime Minister, the right hon. Members for Wokingham (Mr. Redwood), for Enfield, Southgate (Mr. Portillo) and for Henley (Mr. Heseltine). If we look at the list of proposed Cabinets, we see that the Secretary of State for Health does not appear in any of them. That makes a difference to us because perhaps after this week we shall be able to discuss the future of St. Bartholomew's hospital and its medical college in rational terms—something which we have not been able to do.

I wish to make a plea to two sets of people tonight. First, I wish to ask Conservative Members to vote down the Bill. Secondly, I wish to make a plea to peers of the realm in another place. Should the Bill receive a Third Reading in the House, I ask them to block it, delay it and vote it down when it comes to its Second Reading in the other place.

I ask Conservative Members to think back to that great Conservative philosopher, Edmund Burke—perhaps the greatest Tory philosopher there has ever been. Edmund Burke based his theory on the virtues of custom, tradition, stability, continuity, renewal and excellence. St. Bartholomew's hospital and its medical college stand for all those virtues.

I could understand it if the Labour party in the 1960s proposed to abolish St. Bartholomew's hospital and to merge its medical college with the Royal London hospital. I cannot understand how the Conservative party in the 1990s should be advancing that proposal. I ask Conservative Members to stand back, think of the great Conservative philosopher and reject barmy 18th century notions of classical liberalism that appear to form the theory driving the two proposals.

I suppose that it may be impertinent for a mere commoner, dressed in a shabby lounge suit, to tell peers of the realm what to do. However, I ask them to come to London and vote down the Bill on its Second Reading in the Lords, should it go through the House tonight. I make that plea not just to life peers, but to hereditary peers—the squirearchy of England. I ask all 1,200 them to come down here, if necessary with their footmen, livery men, maids, and perhaps even mistresses, to vote the Bill down. They will be defending the greatest medical college in the world. It only needs one peer to block a Bill in the House of Lords. Whom shall we choose? We know that the Duke of Gloucester spoke on the subject of St. Bartholomew's hospital in the House of Lords, damned the Secretary of State to eternity—and did so beautifully. Perhaps he can do it; if not him, perhaps another peer will.

Stopping the Bill is an important matter. Not so long ago—not even a week ago—I went to a ball organised by St. Bartholomew's college. I shall let the House into a secret: the right hon. Member for City of London and Westminster, South went to the same ball; we sat at the same table. His wife and I exchanged views that were so confidential that I dare not talk about them in the House.

Mr. David Ashby (Leicestershire, North-West): But the hon. Gentleman will.

Mr. Sedgemore: Not at all.

While I was moving around the ball I was stopped by consultant after consultant who told me that every week and every month that I hold up the Bill, I am doing St. Bartholomew's hospital a good turn. Notwithstanding what the right hon. Member for City of London and Westminster, South said about the enthusiasm with which St. Bartholomew's hospital supports the Bill, not one of those whom I met at the ball told me that it would be helpful if I stopped what I was doing because I was making a nuisance of myself. No—I received 100 per cent. support. It is ironic that, in politics, one can use balls instead of the corridors of Westminster as a good way of conducting research into important issues such as those that we are now discussing.

I said that St. Bartholomew's was a place of excellence. I was looking through the exam results from 1988 to 1993. There are nine London medical colleges and I see that, in 1988 St. Bartholomew's ranked second overall in pass rates, first in 1989, third in 1990, first in 1991, first in 1992 and third in 1993. We should surely not abolish a place that produces excellence, but in terms of distinctions, the college came second in 1988, first in 1989, first in 1990, first in 1991, third in 1992 and first in 1993.

I looked at the latest results for 1994 and found that, in terms of distinctions, 33 per cent. of those who took the exam at St. Bartholomew's received distinctions and the college was ranked first. At the London hospital, 21 per cent. of those who took the exam received distinctions and the medical school ranked fourth. At University College hospital—the place of greatest excellence—17 per cent. received distinctions and the college ranked ninth. There should be no doubt about it—we are talking about a medical college of great academic distinction.

I wish to answer the points made by the right hon. Member for City of London and Westminster, South and by my right hon. Friend the Member for Bethnal Green and Stepney, who say that there is agreement about the Bill. There is not. I know that it looks odd because St. Bartholomew's hospital is one of the Bill's supporters. That is what everyone finds difficult to understand.

[Mr. Sedgemore]

This afternoon, I looked through the annual reports of the medical colleges and found that in 1985, 1986 and 1987 there were great criticisms of the proposal when Dr. Kelsey Fry was the dean. I see also that there was a judicial review and that the merger between St. Bartholomew's and the London medical college was dropped in favour of the City and East London Confederation for Medicine and Dentistry to which the right hon. Member for City of London and Westminster, South referred. The confederation has worked perfectly happily ever since and, in my view, could still.

In 1992, the Tomlinson report recommended first, the closure of the hospital and secondly, the complete merger, both pre-clinical and clinical, of the two medical colleges. Professor Lesley Rees, currently the dean of St. Bartholomew's medical college and someone who, presumably, knows as much as anybody about the matter, is a superstar if ever I have met one. When the Tomlinson report came out in 1992, she wrote in the Christmas 1992 *Barts Journal*:

"As far as the Medical College is concerned the Tomlinson Report recommends a merger with The London Hospital Medical College and Queen Mary and Westfield College. I believe that the City and East London Confederation for Medicine and Dentistry (CELC) provides the optimum link between the two Medical Colleges and Queen Mary and Westfield College. The Faculty of Basic Medical Sciences at QMW has largely met the claims made for medicine being placed within a multi-faculty college of the University. Cementing further the CELC arrangement will provide no added advantage that I can see in a medical faculty structure for teaching and research. Indeed with activities on at least three major sites such a Faculty structure would be unlikely to create economies of scale."

The current dean of St. Bartholomew's medical college says that there is no added advantage. If there are hon. Members with the ability to contradict Professor Rees, I should like to hear them.

Of course, she may have changed her mind since then but in the annual report of the medical college in 1993, Professor Rees said:

"This has been a momentous year in the fortunes of the College and for our hospitals.

In line with Government Policy we were required to inform the Higher Education Funding Council for England (HEFCE) by the 1st October 1993, of our intention to merge with the London Hospital Medical College and Queen Mary and Westfield College."

I repeat that she says "we were required".

Members of Parliament are versed in the subtleties of what people have to do by force majeure and what they do voluntarily. When the dean of a medical college writes "we were required" to do something and finds no higher words of praise than that, one must take it that the dean is saying that something that the college does not want to be done is being forced on it. That is the truth. This is not a private Bill and never has been. It is a public Bill; it was whipped on Second Reading and is to be whipped again tonight. That is why I am going to keep my speech short. There is no point arguing against the force majeure of votes in the House.

When the Bill's Second Reading was moved, my right hon. Friend the Member for Bethnal Green and Stepney said:

"My second reason for claiming that this Bill should be largely uncontroversial is that the merger is an agreed measure . . . In no sense is it a takeover bid, either by the London medical college for Bart's medical college or by Queen Mary and Westfield medical college for the other two."

In favour of his argument, he went on:

"As for personnel, the warden of the new school of medicine and dentistry will come from the London, and all those concerned want his deputy and successor to come from Bart's."—[*Official Report*, 19 April 1995; Vol. 258, c. 277.]

I can tell right hon. and hon. Members that the warden of the new medical college is Sir Colin Berry. His so-called deputy is Professor Lesley Rees from Bart's. The principal of the medical college, Professor Zellick, wrote to me in connection with the Bill and blocking motion saying that it was not a takeover and that Sir Colin Berry from the London was the warden—selected before the Bill had had a Second Reading, an odd way of going about creating a new institution which has no parliamentary approval of any kind. Never mind, we know that Professor Zellick has contempt for Parliament because he had to apologise through his agent at the Bill's unopposed Committee stage, which I personally attended. He also said that Lesley Rees had the offer to be the dean of clinical medicine. What could be fairer than that? I sent his letter to Professor Rees for her comments. They are very brief. In a letter dated 12 April 1995, she said:

"I made it quite clear to Professor Zellick that my application was for the Wardenship only and that I was not interested in the position of Dean of Clinical Medicine. The 'package' he mentions was never publicised or discussed with me before or during the interview. In fact, the intention at the time was to advertise for the position of Dean of Clinical Medicine.

I also made it abundantly clear to Professor Zellick and to many others that in the event I was not appointed as Warden, I would not be an applicant for the post of Dean of Clinical Medicine."

We have Professor Zellick telling my right hon. Friend the Member for Bethnal Green and Stepney, who moved the Bill's Second Reading, and writing to me, giving information which misleads us, in the hope presumably that we will mislead the House. I had the good sense to check it. That is the truth of the matter, so let us not say that there is massive agreement and that it is no sense any kind of takeover.

Indeed, as regards personnel I give credit to the right hon. Member for City of London and Westminster, South who, in one of our more general debates on Bart's hospital, first raised the point about the number of people at the medical college who were leaving because of the uncertainty that had been created. A lot of the personnel do not want the merger.

To bring matters right up to 1995, there is my research last week at the ball, where all the consultants were saying to me, "Keep it up Sedgemore. For the first time in your life, you are doing a bit of practical good in Parliament." If the House is to support an institution, the institution has to be able to show that it has acted in good faith. It gives me no pleasure to say this, but the college lost a wonderful opportunity when it turned down Professor Rees as warden and appointed Sir Colin Berry before, as I said, Second Reading.

It was bizarre that Eastman dental hospital, which is not part of the new institution, had a vote on who should be the warden of the medical college. That struck me as extraordinary. But the choice of Sir Colin Berry suggests that it is not the sort of institution to which the House should give its approval.

Clive Priestley, who is lay vice-president of St. Bartholomew's medical college, said to me in the presence of Professor Zellick, that he had asked before the warden was appointed whether it would be in order for him to ask one of the candidates whether there was

anything to that candidate's detriment that might damage the college. That seems a perfectly reasonable question—the sort of question asked at all kinds of interviews. However, Professor Zellick ruled the question out of order.

I have never heard of a principal of a college ruling out of order a question that could discover whether a person who might be about to be appointed has some skeleton in the locker that could damage the college. In this case, we know that the warden, as a pathologist, had in fact misdiagnosed two women whose breasts were cut off, and we know that there had been a vote of no confidence in him by some staff. Even the general and fat controller at the Royal Hospitals NHS trust, Sir Derek Boorman and Gerry Green, realise that it has all been a terrible mistake.

Perhaps my point is laboured because I understand that the Government may be prepared to bail out Queen Mary and Westfield college. There is a real chance, I am told, that none of the people there will ratify the appointment of Sir Colin Berry as warden. The Government now realise that he is so useless that they could make him chair of a quango and therefore satisfy everyone.

The medical college at St. Bartholomew's hospital has existed almost from the time of the hospital itself. It was founded in 1123 by Rahere, an Augustinian monk, and was linked to the priory at St. Bartholomew's hospital. Soon, there were apprentices who worked with the doctors and they, in effect, were the first students at the medical college. I think that Conservatives should recognise that, down the centuries, it has fought off a number of tremendous attempts to close it, and it is ironic that they who should be the creatures of custom, tradition, excellence and renewal in the style of Edmund Burke are now about to change all that.

Henry VIII desperately tried to close the college. He wanted to dissolve the monasteries and introduced the Acts of Dissolution 1536 and 1539. The college refused to close itself and eventually Thomas Vicary, who had trained at Bart's and who was Henry VIII's surgeon, persuaded the king to grant it a royal charter in 1546. A hospital that fought off Henry VIII cannot survive the modern House of Commons.

In September 1666, the great fire of London did its worst and tried to destroy the hospital and the medical college. On that occasion, God and the weather came to the aid of the medical college, and I very much hope that tonight God will come to its aid again.

Mr. Brooke: The hon. Gentleman knows that he and I are shoulder to shoulder on some aspects of the matter, although we are on opposite sides on the Bill. He has in his narrative relating to the hospital, omitted one of my favourite passages which is that the index of the history refers to "English Civil War (Effect on the Parish)". An institution has to be pretty self-confident to make that its single reference to the English civil war.

Mr. Sedgemore: The right hon. Gentleman—I was about to call him my right hon. Friend because we are so close on this matter—shows how great and self-confident one can be. I think Balliol college, Oxford, used to call it the unconscious realisation of effortless superiority, which is something that St. Bartholomew's as well as Balliol college had. Certainly, I doubt that it is something that the Minister will have when he replies. However, we shall see.

The medical college did not entirely escape the ravages of the great fire of London. Much of Bart's property was destroyed, and it was calculated that it lost income of £2,000 a year. It was a huge sum but Bart's quickly recovered. Therefore, the medical college survived Henry VIII and the great fire of London, but it cannot apparently survive the House of Commons in 1995.

In the war, Hitler's bombers tried to destroy the hospital and the medical college. On 23 and 24 September 1940, they bombed the medical college and, in October that year, they bombed Charterhouse square, which is mentioned in one of the clauses. Shortly after the war, and as a result of all the bombing, the Department of Health said that it should perhaps close the hospital. Perhaps it was that niggle which entered the psyche of the Department of Health as long ago as 1945 which has found fruition 50 years later and led to the suggestion that the hospital be shut and the medical college wound up. Sometimes the bureaucrats never give up. I speak as someone who worked in the civil service—I know the way its mind works. In any event, the college beat Henry VIII, the great fire of London and Hitler's bombers, but we cannot beat the Conservatives in the House of Commons in 1995.

I shall draw my remarks to a close, but many people, past and present, will be saddened by what we are doing. They include the eminent surgeon Percival Pott, who was one of the first people to act as a real professor at the medical college; John Abernethy, who effectively formalised teaching at the hospital and who is usually regarded as its founder in the 18th century; Lord Horder, Sir Archibald Garrod and William Marsden, who was ultimately responsible for the foundation of the Royal Marsden hospital in 1851.

Last but not least I must mention the great W. G. If anyone knows who the great W. G. is, it will be the right hon. Member for City of London and Westminster, South. I am sure that all hon. Members know that I am referring to Dr. W. G. Grace, the greatest Englishman who ever lived and one of the finest batsmen the world has ever known. W. G. qualified as a doctor at St. Bartholomew's hospital and he will be turning in his grave tonight. There is no better reason to oppose the Bill than to let W. G. rest in peace.

I believe that the hospital can be saved; then we can look again at the medical college. That would be the wisest and best thing that we could do. I hope that hon. Members will oppose the Bill.

7.44 pm

Sir Edward Heath (Old Bexley and Sidcup): I support my right hon. Friend the Member for City of London and Westminster, South (Mr. Brooke). In doing so, I must, in deference to Mr. Justice Nolan, declare an interest in that Queen Mary college conferred an honorary degree on me. That fact is listed in all publications and is well known throughout the country. I received no remuneration although I was given one free meal. Having established that, I can say that I strongly agree with what my right hon. Friend said.

I am amazed at the contribution by the hon. Member for Hackney, South and Shoreditch (Mr. Sedgemore). I have heard him make a serious and persuasive speech, but that was certainly not the case tonight. The frivolity with which he treated the matter is deplorable. To begin by

[Sir Edward Heath]

saying that the Bill was to be debated at this time because of a party leadership election shows that he is living in a world of fantasy. As for the hon. Gentleman's arguments, my right hon. Friend the Member for City of London and Westminster, South dealt with them.

I share my right hon. Friend's view that the decision taken about Bart's was and is a mistake. The Tomlinson committee considered every technical and physical development of the hospitals; the only matter that it did not consider was the people. It is for that reason that the decision was a mistake, quite apart from Bart's great history. Although we had an interesting history lesson this evening, the fact that Handel played the organ at Bart's was omitted—that is perhaps the most important thing of all.

My right hon. Friend the Member for City of London and Westminster, South said that there was no reason why the change suggested in the Bill should not go ahead. We have been given no real reasons against that. I accept what my right hon. Friend said and the advice that I have received.

Most unusually from an Opposition Member, we heard a quotation from Edmund Burke. Burke also said:

"Your representative owes you, not his industry only, but his judgment".

I have endeavoured over the past 45 years to contribute some industry; now I contribute my judgment, which is that my right hon. Friend is absolutely right.

7.46 pm

The Minister for Health (Mr. Gerald Malone): It is a pleasure to follow my right hon. Friend the Member for Old Bexley and Sidcup (Sir E. Heath), who made some cogent remarks. I, too, was interested in the alliances forged by the hon. Member for Hackney, South and Shoreditch (Mr. Sedgemore). He called on forces beyond the grave in the shape of Dr. Grace and attempted to forge what was, to my mind, a rather unusual alliance with the other place. The thought of him leading the combined forces of that other place on any subject is indeed an interesting one. However, I am not sure that he did his case much good by referring to the peers of the realm as the squirearchy. That will perhaps set back his cause to some extent. In any event, it was an interesting notion.

The House is well aware of the fact—I shall, nevertheless restate the convention—that my purpose in such debates is to give a broad outline of the Government's position. I greatly welcome the arguments that my right hon. Friend the Member for City of London and Westminster, South (Mr. Brooke) has put before us in the case for the merger of the medical schools within the Queen Mary and Westfield college. I am happy once more to state the Government's broad position in welcoming the Bill and the opportunities that it presents for developing a continuing partnership between medical education, research and clinical services in east London.

As the right hon. Member for Bethnal Green and Stepney (Mr. Shore) made clear on Second Reading, and as my right hon. Friend reiterated this evening, the Bill has the support of the institutions involved. The principles supporting the case for the merger of the colleges have been laid before the House and, I believe, stand firmly on their own merits.

To put it in context, the Bill is one of a number introduced over the past 20 years or so to unite medical colleges within multi-faculty colleges of the university of London. It will strengthen the institutions concerned and develop important links with departments of life sciences. It will also ensure that the tradition of excellence in medical teaching and research in that part of London will continue from a strong academic base.

My Department and the Department for Education welcome the Bill. It will contribute to securing London's leading position in these fields as well as securing a medical and dental school of great distinction in east London to match those that are being established in other parts of the capital. I congratulate my right hon. Friend the Member for City of London and Westminster, South on putting the case for the merger so concisely and well. I hope that the Bill can now proceed quickly for consideration in another place, perhaps free of the cohorts that the hon. Member for Hackney, South and Shoreditch hoped to bring as legions to oppose it. The Bill deserves to be placed on the statute book as quickly as possible, and the Government confirm their broad support for the measure.

Question put, That the Bill be now read the Third time:—

The House divided: Ayes 213, Noes 56.

Division No. 190] **[7.50 pm**

AYES

Ainsworth, Peter *(East Surrey)*
Alexander, Richard
Allason, Rupert *(Torbay)*
Alton, David
Amess, David
Ancram, Michael
Arbuthnot, James
Arnold, Jacques *(Gravesham)*
Ashby, David
Atkins, Rt Hon Robert
Atkinson, David *(Bour'mouth E)*
Atkinson, Peter *(Hexham)*
Baker, Nicholas *(North Dorset)*
Baldry, Tony
Banks, Matthew *(Southport)*
Bates, Michael
Bellingham, Henry
Bendall, Vivian
Beresford, Sir Paul
Biffen, Rt Hon John
Bonsor, Sir Nicholas
Booth, Hartley
Boswell, Tim
Bowden, Sir Andrew
Bowis, John
Boyson, Rt Hon Sir Rhodes
Brandreth, Gyles
Brazier, Julian
Bright, Sir Graham
Browning, Mrs Angela
Burns, Simon
Burt, Alistair
Butcher, John
Butler, Peter
Campbell, Menzies *(Fife NE)*
Carlile, Alexander *(Montgomery)*
Carlisle, John *(Luton North)*
Carrington, Matthew
Cash, William
Channon, Rt Hon Paul
Chapman, Sydney
Clappison, James
Coe, Sebastian
Colvin, Michael
Congdon, David
Conway, Derek
Coombs, Anthony *(Wyre For'st)*
Cope, Rt Hon Sir John
Cormack, Sir Patrick
Couchman, James
Curry, David *(Skipton & Ripon)*
Dalyell, Tam
Davies, Quentin *(Stamford)*
Day, Stephen
Deva, Nirj Joseph
Dicks, Terry
Dorrell, Rt Hon Stephen
Douglas-Hamilton, Lord James
Dover, Den
Duncan, Alan
Dunn, Bob
Durant, Sir Anthony
Dykes, Hugh
Eggar, Rt Hon Tim
Evans, David *(Welwyn Hatfield)*
Evans, Nigel *(Ribble Valley)*
Evans, Roger *(Monmouth)*
Evennett, David
Fabricant, Michael
Fenner, Dame Peggy
Field, Barry *(Isle of Wight)*
Fishburn, Dudley
Forsyth, Rt Hon Michael *(Stirling)*
Forth, Eric
Fox, Dr Liam *(Woodspring)*
Fox, Sir Marcus *(Shipley)*
Freeman, Rt Hon Roger
French, Douglas
Gale, Roger
Gardiner, Sir George
Garel-Jones, Rt Hon Tristan
Garnier, Edward
Goodson-Wickes, Dr Charles
Gorst, Sir John

Greenway, Harry *(Ealing N)*
Griffiths, Peter *(Portsmouth, N)*
Gummer, Rt Hon John Selwyn
Hague, William
Hamilton, Rt Hon Sir Archibald
Hannam, Sir John
Hargreaves, Andrew
Hawkins, Nick
Hawksley, Warren
Hayes, Jerry
Heald, Oliver
Heath, Rt Hon Sir Edward
Hendry, Charles
Hill, James *(Southampton Test)*
Howard, Rt Hon Michael
Howell, Sir Ralph *(N Norfolk)*
Hughes, Robert G *(Harrow W)*
Hughes, Roy *(Newport E)*
Hunter, Andrew
Jack, Michael
Jenkin, Bernard
Jessel, Toby
Johnson Smith, Sir Geoffrey
Jones, Barry *(Alyn and D'side)*
Jones, Gwilym *(Cardiff N)*
Jones, Robert B *(W Hertfdshr)*
Key, Robert
King, Rt Hon Tom
Kirkhope, Timothy
Knapman, Roger
Knight, Mrs Angela *(Erewash)*
Knight, Greg *(Derby N)*
Knight, Dame Jill *(Bir'm E'st'n)*
Knox, Sir David
Kynoch, George *(Kincardine)*
Lait, Mrs Jacqui
Lamont, Rt Hon Norman
Lang, Rt Hon Ian
Lawrence, Sir Ivan
Lidington, David
Lightbown, David
Lilley, Rt Hon Peter
Lloyd, Rt Hon Sir Peter *(Fareham)*
Lynne, Ms Liz
MacKay, Andrew
Maclean, Rt Hon David
McLoughlin, Patrick
Maitland, Lady Olga
Malone, Gerald
Mans, Keith
Marland, Paul
Marlow, Tony
Marshall, John *(Hendon S)*
Merchant, Piers
Michie, Mrs Ray *(Argyll & Bute)*
Mills, Iain
Mitchell, Andrew *(Gedling)*
Nelson, Anthony
Neubert, Sir Michael
Newton, Rt Hon Tony
Nicholson, David *(Taunton)*
Nicholson, Emma *(Devon West)*
Norris, Steve
Onslow, Rt Hon Sir Cranley
Oppenheim, Phillip
Ottaway, Richard
Page, Richard
Paice, James
Patnick, Sir Irvine
Pattie, Rt Hon Sir Geoffrey
Pawsey, James
Peacock, Mrs Elizabeth
Pickles, Eric
Porter, David *(Waveney)*
Prentice, Bridget *(Lew'm E)*
Rathbone, Tim
Rendel, David
Richards, Rod
Riffkind, Rt Hon Malcolm
Robathan, Andrew
Robinson, Mark *(Somerton)*
Scott, Rt Hon Sir Nicholas
Shaw, David *(Dover)*
Shaw, Sir Giles *(Pudsey)*
Shephard, Rt Hon Gillian
Shepherd, Richard *(Aldridge)*
Shersby, Sir Michael
Smith, Tim *(Beaconsfield)*
Spicer, Michael *(S Worcs)*
Spink, Dr Robert
Squire, Robin *(Hornchurch)*
Stephen, Michael
Stern, Michael
Stewart, Allan
Streeter, Gary
Sweeney, Walter
Sykes, John
Taylor, Ian *(Esher)*
Taylor, John M *(Solihull)*
Taylor, Matthew *(Truro)*
Taylor, Sir Teddy *(Southend, E)*
Temple-Morris, Peter
Thornton, Sir Malcolm
Thurnham, Peter
Townsend, John *(Bridlington)*
Townsend, Cyril D *(Bexl'yh'th)*
Trotter, Neville
Twinn, Dr Ian
Tyler, Paul
Walker, Bill *(N Tayside)*
Waller, Gary
Ward, John
Wardell, Gareth *(Gower)*
Wardle, Charles *(Bexhill)*
Waterson, Nigel
Watts, John
Wells, Bowen
Wheeler, Rt Hon Sir John
Whitney, Ray
Whittingdale, John
Widdecombe, Ann
Wiggin, Sir Jerry
Wilkinson, John
Willetts, David
Wilshire, David
Winterton, Mrs Ann *(Congleton)*
Wolfson, Mark
Wood, Timothy
Young, Rt Hon Sir George

Tellers for the Ayes:
Mr. Peter Brooke and
Mr. Michael Lord.

NOES

Adams, Mrs Irene
Banks, Tony *(Newham NW)*
Barnes, Harry
Bermingham, Gerald
Burden, Richard
Cabom, Richard
Campbell, Ronnie *(Blyth V)*
Cann, Jamie
Chisholm, Malcolm
Clwyd, Mrs Ann
Cummings, John
Cunningham, Jim *(Covy SE)*
Dafis, Cynog
Donohoe, Brian H
Dunnachie, Jimmy
Evans, John *(St Helens N)*
Galloway, George
Godman, Dr Norman A
Godsiff, Roger
Golding, Mrs Llin
Grant, Bernie *(Tottenham)*
Hanson, David
Hill, Keith *(Streatham)*
Hogg, Norman *(Cumbernauld)*
Hood, Jimmy
Hughes, Kevin *(Doncaster N)*
Jamieson, David
Jones, Lynne *(B'ham S O)*
Lewis, Terry
Livingstone, Ken
Loyden, Eddie
McAvoy, Thomas
McKelvey, William
Marshall, David *(Shettleston)*
Maxton, John
Meale, Alan
Michie, Bill *(Sheffield Heeley)*
Miller, Andrew
Mitchell, Austin *(Gt Grimsby)*
Mullin, Chris
Oakes, Rt Hon Gordon
O'Brien, Mike *(N W'kshire)*
Olner, Bill
Pike, Peter L
Purchase, Ken
Sedgemore, Brian
Simpson, Alan
Skinner, Dennis
Smith, Llew *(Blaenau Gwent)*
Spearing, Nigel
Squire, Rachel *(Dunfermline W)*
Steinberg, Gerry
Wareing, Robert N
Welsh, Andrew
Wray, Jimmy
Young, David *(Bolton SE)*

Tellers for the Noes:
Mr. Harry Cohen and
Mr. D. N. Campbell-Savours

Question accordingly agreed to.

Bill read the Third time, and passed.

Orders of the Day

Education

8.3 pm

The Parliamentary Under-Secretary of State for Schools (Mr. Robin Squire): I beg to move,

That the draft Education (Assisted Places) Regulations 1995, which were laid before this House on 26th June, be approved.

As hon. Members will know, we introduced the assisted places scheme in 1981 because we are committed to choice and diversity and because we wish to encourage high standards in education, wherever they are to be found. We want parents to be able to choose the education that they think best for their children, regardless of income. The scheme has opened up educational opportunities for many thousands of able children from less well-off families, and continues to be an outstanding success. Under the present Government, it is here to stay.

Our best independent schools have a long tradition of academic excellence, of which they are rightly proud; but schooling is not just about achieving good results on paper. Schools in the scheme take a justifiable pride in developing their pupils as individuals, and equipping them in every way to make a full and valuable contribution to society.

Independent schools are also here to stay. We believe that the range of opportunities that they offer should not be restricted to those who can afford to pay for them. Independent schools have a long history of providing bursaries and scholarships for less well-off pupils, and the Government welcome that, but there is a limit to what the independent schools can do themselves.

The assisted places scheme builds on and extends the schools' own contributions. It not only expands opportunities for children from lower-income families, but helps to widen the social mix and create greater awareness and understanding across communities. In short, the scheme is an academic success: assisted pupils, on average, achieve better GCSE and A-level results than their peers in independent and maintained schools, and have high entry rates into further and higher education. The scheme is successful in the wider opportunities and experiences that it provides in sport, the arts and other aspects of personal development, and it is successful in giving all those opportunities to children who could not otherwise have afforded them. Over 40 per cent. qualify for a totally free place, and 80 per cent. of their families have incomes below the national average.

The regulations governing the scheme were last consolidated in 1989. Amendments have been made in each year since then, mainly to uprate the parental contribution tables that set out the amounts that parents must pay towards their children's assisted places. The House is considering new consolidated regulations, whose effects I shall explain shortly.

Consolidation is essentially good housekeeping, to bring all the previous changes into a single document, update some detailed aspects of the rules and remove redundant wording. The consolidated regulations include this year's parental contribution uprating. There are no radical changes in the operation of the scheme. If approved, the regulations will come into force on 25 August, for the school year 1995-96.

Part I of the draft regulations—that is, regulations 1 and 2—deals with citation, commencement and application and with the interpretation of expressions used throughout the text. The main changes here are in connection with the definition of "parents" for the purpose of income assessments under the scheme, and with the use of the term "European Economic Area" with regard to the residence of applicants for assisted places.

The definition of "parents" in regulation 2 has been revised to take account of provisions in the Children Act 1989 and subsequent developments, and to limit the definition to the person or persons with whom the child normally lives. There have been no major changes of substance, but the wording has been clarified. In the usual case, the "parents" are of course the natural mother and father, and both must make a declaration of their joint incomes to be eligible for assistance under the scheme. The regulations also cater for adoptive parents, those who are guardians or foster parents and those who, although not the natural parents, have custody or care and control of the child.

Part II of the draft regulations—regulations 3 to 8—deals with eligibility for an assisted place. The wording of regulation 3 has been made clearer, and the requirement that parents and child applying for an assisted place must fulfil all the conditions specified is strengthened.

Draft regulation 4 sets out the residence requirements. The vast majority of assisted pupils will, of course, satisfy the requirement that they should be ordinarily resident in the British islands for at least two calendar years before taking up the assisted place. In addition, there have always been conditions applicable to children who have been living in European Community countries and have been nationals of those countries. Those conditions have been revised in the draft regulations to take account of the European Economic Area agreement, and to reflect our legal obligations to provide access to free or subsidised tuition for children of migrant workers on the same basis as for British residents. By the same token, the requirement that a child from a member state of the European Community be resident in the British islands on 1 January before taking up an assisted place is removed.

The conditions as to age in draft regulation 5 remain largely the same. The only exception is that the somewhat anomalous requirement that a child should have attained the age of 11—the scheme's minimum age—by 31 July following his admission to an assisted place is now amended, so that the child concerned must have reached the specified minimum age by 31 August, the conventional end of the school year.

There have been some minor technical amendments and drafting changes in part III of the draft regulations—regulations 9 to 15—dealing with remission of fees. Cross-references in footnotes to other relevant legislation have been updated. Draft regulation 11 provides for an allowance to be made for each dependent child, other than the assisted place holder, against parents' total income when calculating their contribution towards school fees. This year, the allowance is raised from £1,140 to £1,165, in line with inflation, and will maintain the help for families with more than one child.

Draft regulation 15 refers to the scales of fee remission in schedule 2 which, in turn, sets out the income bands used for assessing parents' contribution to fees for the school year 1995-96. I announced those to the House on 26 January last. Like the dependant's allowance, those

bands have been uprated in line with the 2.4 per cent. movement in the retail prices index over the 12 months to October last year. The income threshold at or below which parents pay nothing towards fees is raised from £9,352 to £9,572 a year. There are corresponding increases in the thresholds for the higher income bands. The effect is that parents whose relevant income has risen by no more than inflation will continue to contribute the same proportion of that income, and indeed the same amount in real terms. Parents whose incomes have risen by less than inflation will pay less. All those adjustments help to achieve the objective of targeting assistance on those who need it most.

The provisions of the remaining parts of the draft regulations cover the administrative arrangements and miscellaneous requirements of the scheme. They remain essentially unchanged. Draft regulation 19, for example, lies at the heart of the scheme and requires participating schools to recruit at least 60 per cent. of their assisted pupils from publicly maintained schools.

Mr. Nick Hawkins (Blackpool, South): Does my hon. Friend agree that what he has just said reinforces yet again the fact that the only remaining people who disapprove of the assisted places scheme, which has already benefited 70,000 children over the years since its introduction, are Opposition Members who are still peddling the politics of envy? Does he agree that it is noticeable that people, such as a gentleman in my constituency, are resigning from the Labour party when their children have benefited from assisted places because they recognise the poverty and hypocrisy of the Opposition's ideology, which is based on, "We're all right Jack, knock away the ladder"? No fewer than seven members of the shadow Cabinet have benefited.

Madam Deputy Speaker (Dame Janet Fookes): Order. I think that the hon. Gentleman knows full well my view that interventions should be short. That was getting very long.

Mr. Squire: The intervention of my hon. Friend the Member for Blackpool, South (Mr. Hawkins) was enjoyable, however, at least from where I was sitting. I congratulate him on what he said, which is well known not just in the House, but, I am pleased to hear from his comments, among a growing number of erstwhile supporters of the Labour party.

The scheme is not intended for those who would have sent their children to independent schools in any event, but a small number of assisted place holders were attending private preparatory schools before taking up their secondary school place and have been awarded assisted places on the ground of hardship.

Mr. Win Griffiths (Bridgend): Will the Minister tell me how many pupils in Wales are currently on an assisted places scheme and what percentage that is of the overall school population in Wales?

Mr. Squire: I have that information, but I do not have it immediately to hand. Will the hon. Gentleman allow me to cope with that in my concluding comments rather than give him an estimate and then, in a sense, have to correct that estimate?

Mr. Brian H. Donohoe (Cunninghame, South): I ask the same question in relation to Scotland. Will the Minister give us the figures for Scotland?

Mr. Squire: The regulations do not affect Scotland. They cover purely England and Wales, so whether or not I can find the figures for Wales, those for Scotland are not affected by the regulations.

Finally, the technical arrangements for the computation of parents' income in schedule 1 to the draft regulations have been updated and amended, mainly as a result of various Finance Acts brought into force in the intervening years since 1989.

Mrs. Anne Campbell (Cambridge): Will the Minister give way?

Mr. Squire: I am anxious to make progress, but I shall give way to the hon. Lady.

Mrs. Campbell: There is of course a great deal of alarm and concern among parents about the falling school budget. What would the Minister say to the head teacher of my local sixth form college, who has written to me and recently published a press release saying:

> "Governors, staff, students and parents therefore want to know why recent parliamentary answers suggest that the Government allocates up to twice as much per student to buy an assisted place in an independent school"

as that head teacher has been allocated to teach his pupils?

Mr. Squire: Several answers would accurately sum up the position and give useful information to the head teacher to whom the hon. Lady referred. The first and most obvious point is that the fees paid under assisted places to private independent schools cover not merely revenue expenditure, but capital, whereas the allocation under the standard spending assessment covers only revenue items. Secondly, although I hope that she would not expect me to run through the figures on 109 SSAs, she will find that, even taking that into account, the amount allocated to some local education authorities per pupil under the SSA for the current year is greater than the average allocated in relation to the scheme.

Mrs. Campbell: I have some figures here. In 1994-95, funding for 16 to 19-year-old students, including capital, at my local colleges in Cambridge—funded of course through the Further Education Funding Council—was £2,823 per year. I have not had the exact figures, but I know that the sum at a school such as Leys school in Cambridge approaches £5,000 a year. As I said earlier, the figure is almost double for such schools.

Mr. Squire: The hon. Lady has made her local point. I repeat that, considering the full range of schools within the assisted places scheme, and, separately, the amount advanced by the standard spending assessment annually, there is an enormous range of figures. In particular, the other thing the hon. Lady will know is that the whole funding of sixth forms, be it sixth form colleges or sixth forms as part of schools, displays significant variances as well.

Mr. James Pawsey (Rugby and Kenilworth): I congratulate my hon. Friend on the admirable answers that he has given to the hon. Member for Cambridge (Mrs. Campbell), which I am certain will entirely satisfy her. Some disquiet is being expressed about the assisted places scheme. The disquiet that I have heard is that the Government may not be firmly committed to it. I would

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therefore be grateful if my hon. Friend would put those rumours to rest and nail the Government's colours firmly to the mast of the scheme.

Mr. Squire: I am delighted to give my hon. Friend the utter and complete assurance that the Government are committed to the assisted places scheme. We see its continuing advantages and we have no plans to cut it, let alone to abolish it.

I hope that I have explained to the satisfaction of the House the purpose behind the laying of these draft consolidated regulations, and that I have covered the main areas where some minor changes have been made. Whatever Opposition Members may feel about the assisted places scheme as a whole, I am confident that the House will welcome both the tidying-up that we have undertaken in the regulations and, of course, the annual uprating to preserve its value. I commend the regulations to the House.

8.17 pm

Mr. Peter Kilfoyle (Liverpool, Walton): We will vote tonight against the regulations and we will do so simply because we are against the whole scheme in principle. I shall explain why, but before I do, may I enlighten the Under-Secretary and tell him that in Wales approximately 720 pupils are on the assisted places scheme?

There are three principal reasons for opposing the assisted places scheme. First, it is unfair and inefficient to penalise the many to advantage the few, yet that, effectively, is what the scheme does. Secondly, in the main, schools select the most academically able through the scheme, distorting the academic profile of children in the maintained sector and inflating the image of academic excellence projected by many independent schools. Finally, it is a totally unwarranted subsidy by the state of the private sector.

The Government would have us believe that the scheme is an unqualified success, but they regularly refuse to make more detailed information available. My hon. Friends have regularly tabled questions to the Department for Education so that a clearer picture might emerge, but it has all been to no avail. On 17 January, my hon. Friend the Member for Wolverhampton, North-East (Mr. Purchase) sought information as to which local education authorities had a concentration of assisted places, but he was told that the data were not broken down by local education authority.

Later that year, on 2 March, my hon. Friend the Member for Cunninghame, South (Mr. Donohoe) attempted to find out how many families using the scheme could have afforded private education anyway—something to which the Under-Secretary referred earlier. He was told that that would apply to very few. How can the Government possibly know that without the relevant data—which, from their own evidence, they do not collect?

The Scottish Office told my hon. Friend:

"The number of such pupils is impossible to assess accurately but they must be very few."—[*Official Report*, 7 March 1994; Vol. 239, c. 54.]

At least the Welsh Office was honest when, on 4 March last year, it told my hon. Friend:

"No such assessment has been made."—[*Official Report*, 4 March 1994; Vol. 238, c. 906.]

The truth is that the Government neither know nor care because the scheme is motivated by ideology and they do not want it to be scrutinised too closely.

Mr. Hawkins: While on the subject of provision of information, does the hon. Gentleman agree that no fewer than seven of his Front-Bench colleagues have been beneficiaries of the sort of schools that his opposition to the regulations would damage?

Mr. Kilfoyle: I would not have a clue about to whom the hon. Gentleman is referring. Perhaps I am one of them because I went to a direct grant school that eventually opted for the independent sector. There is hardly a case to be made against hon. Members who, at the age of 11, were arbitrarily selected by a system that they neither understood nor in which they participated.

The Under-Secretary has been party to the smokescreen around the assisted places scheme. When my hon. Friend the Member for Sheffield, Hillsborough (Mrs. Jackson) asked how many households with children on the assisted places scheme were in the bottom tenth of disposable income levels under Department of Social Security statistics, he obfuscated by saying that the information was not available in the form requested.

That lack of information and clarity does not, in any shape or form, prevent the Department for Education from making odd claims about the scheme. Last week, at my request, it faxed me its view of the scheme and made four principal claims, which have been echoed tonight by the Under-Secretary—that it widens opportunity to the poor; it extends choice to those who would not have it; it justifies the intake as otherwise not choosing the private sector; and it claims

"295 good independent schools in the scheme (in England)."

The argument that the scheme widens opportunity lacks any conviction. Despite 100 per cent. take-up of first-year places, it consistently involves between 0.8 and 0.9 per cent. of the total number of secondary pupils. That obviously implies that more than 99 per cent. of our pupils do not cut the mustard academically to qualify for the scheme.

The second argument, of extension of choice to those who otherwise would not have it, again denies choice to 99 per cent. of the population by virtue of the narrowness of the take-up. It reinforces our view that the whole notion of choice in education is chimerical, at least for the vast majority of people. At best, preference is exercised, not choice.

The third argument is a very odd claim as it is predicated on the statement that almost 70 per cent. of assisted pupils have come from maintained primary schools. Given that the Prime Minister and the Chancellor both sent their children to state primary schools and then on to independent schools—as have thousands of parents—that appears to be a spurious deduction to make. On the contrary, I would be more concerned with the 30 per cent. plus who have gone from independent primary schools to independent secondary schools at the taxpayers' expense.

The Department for Education will continue to laud the achievement of children on the scheme, as the Under-Secretary has done this evening. Of course those children will do well academically—that is why they are

creamed off from the maintained sector to inflate the otherwise dubious academic records of many of the schools in the scheme—295 in England alone.

Mr. Robin Squire *rose—*

Mr. Kilfoyle: Before the hon. Gentleman intervenes I will accept that many of those schools are good schools and have always been good schools in their own right. I argue against the assertion that all of them are good schools that could stand alone without the infusion of fresh blood—fresh academic talent—being brought in from the maintained sector.

Is it any wonder that organisations such as the Independent Schools Information Service use the scheme as propaganda for their own promotion? For example, is it a coincidence that in the autumn edition of its publication, under a banner headline about Labour party policy and the assisted places scheme, it makes great play of the academic success of independent schools? The implication was clear—that independent schools add value to the fewer than 1 per cent. of pupils who are creamed off. Is not it the 1 per cent. who add value to the schools, not only academically but by propping them up financially? In an open market, many of those schools would have collapsed long ago.

The Department for Education claims the scheme is good value for money and that the total cost is justified by a significant increase in opportunities and an extension of choice. I am afraid that such outlandish statements are far from the truth.

Mr. Robin Squire: The hon. Gentleman suggested that some schools would have collapsed long ago without the benefit of the assisted places scheme. Will he improve on the example given a year ago by the hon. Member for Bath (Mr. Foster), speaking for the Liberal Democrats, who could submit only the name of Dulwich college as a school that would have collapsed? Perhaps the hon. Gentleman could give a better example.

Mr. Kilfoyle: The four schools out of the top 50 which the DFE says take more than £1 million a year from the public purse in subsidy, and may even have in excess of 40 per cent. of their pupils on the assisted places scheme, could hardly find it easy to exist without the material support of the students or the huge sums of money that they are given.

Between 1989 and 1995, the cost of the scheme rose from £50.9 million to £102 million—a 100 per cent. increase. Can the Under-Secretary explain why, during the same period, the number of places increased by only 2.6 per cent., from 33,280 to 34,139? Where did the money go? Obviously, the Under-Secretary either does not wish or is unable to tell us where it has gone.

My hon. Friend the Member for Bridgend (Mr. Griffiths) referred to the position in Wales, where the average budget per pupil in the maintained sector is £2,373. In the independent sector, the grant per head for the assisted places scheme is £3,790 for the 720 pupils to whom I referred. In England, the position is even worse. According to the House of Commons Library, the average per head in the maintained sector is £2,250, but for places under the APS the average grant per place is £4,110. Where is the value for money between the two?

In my county of Merseyside, five schools are in the top 50 recipients of money under the scheme. Between them, they receive £3.5 million a year. Other schools in the county also take money under the scheme. If we assess the cost of a teacher at £20,000—a figure off the top of my head—that £3.5 million would pay for an additional 175 teachers for schools in the county. What would that do to raise standards for all our pupils in all our schools? How many other savings could be made—for example, filling surplus places that we are busy taking out of the system, which is costing a fortune both centrally and locally?

Mrs. Anne Campbell: Does my hon. Friend agree that the Government are buying something that is, perhaps, not very good value for money? The college that I mentioned earlier—Hills road sixth form college, which is just outside my constituency—gets £2,800 per year per pupil. However, it consistently comes in the top 10 schools, including the public schools. It is the one state school that gets on to that list and consistently gets a high proportion of its pupils into Oxford and Cambridge. Schools that get twice as much money do not come anywhere near it in their results.

Mr. Kilfoyle: It is absolutely true to say that the Government are using and abusing the maintained sector to maintain an ideological position on the assisted places scheme. The school, that takes in more pupils under the assisted places scheme than any other, is, as I recall, not a million miles from Cambridge: Wisbech grammar school. Several schools take nearly as many pupils on the scheme.

The Minister might argue that the scheme is an egalitarian measure, pointing out that around 40 per cent. of pupils pay nothing, going entirely free to these grand schools. But what of the 60 per cent. who are being subsidised in one way or another together with the schools? I note that the schools chosen by other members of the Cabinet, such as the Foreign Secretary and the Home Secretary—the Etons, the Harrows and the Marlboroughs—do not figure at all in any of the parliamentary answers.

Winchester is an exception, creeping into the list of schools taking up the scheme, but it is certainly not one of the top 50 schools. If anything, it has a token involvement in the scheme. Perhaps its sense of noblesse oblige does not quite square with the parvenu erstwhile direct grant schools, which are trying to gain status from the scheme rather than anything else.

Mr. Robin Squire: I shall try not to interrupt the hon. Gentleman excessively, but he partly answers his own point. As he knows, the origins of the scheme lay in the old direct grant schools and their efforts. It would be surprising if a significant number of other schools were brought in—not least since there is a waiting list of other schools trying to get on the assisted places scheme.

Mr. Kilfoyle: In fact the Under-Secretary reinforces my point. The scheme is ideologically driven to enable the old direct grant schools to continue a selective, elitist approach to education by creaming off the best from the maintained sector. In government, the Labour party will without doubt abolish this scheme.

Mr. Pawsey: Like grant-maintained schools?

Mr. Kilfoyle: The hon. Gentleman refers to grant-maintained schools. Although they are not particularly relevant to this debate, his intervention warrants an answer. We propose to narrow down six

[Mr. Kilfoyle]

categories of schools into three. He will not be surprised to find that that proposal is receiving an increasingly favourable response from head teachers, governors and parents involved in all areas of the maintained sector.

Mr. Pawsey: I am obliged to the hon. Gentleman for rising like a particularly plump fish to my intervention.

The Parliamentary Under-Secretary of State for Further and Higher Education (Mr. Tim Boswell): A plump trout.

Mr. Pawsey: All right, rising like a trout. Is the hon. Gentleman able to say that his party, if elected to government, would abolish the grant-maintained sector in its entirety?

Mr. Deputy Speaker (Sir Geoffrey Lofthouse): Order. I must remind the House that we are debating the assisted places scheme. We must return to that subject.

Mr. Kilfoyle: I may be able to answer within the remit of this debate by saying that when the Labour party goes into government, Labour Members intend to look after the interests of all our children, in all our schools, regardless of the school they may attend.

The Labour party in government will abolish the scheme—not in any way which will damage the progress of the pupils currently studying under the scheme, but by halting new places under it. I hasten to add that Labour Members recognise that there are—as there have always been—cases which require support.

Only last week I met the admirable Mr. Tom Juckes, the chairman of the Lord Wandsworth Foundation, which, as the Minister may know, is an umbrella charity for a number of other worthy causes and deals with children in particular educational, social, psychiatric and financial need. We believe that, where appropriate, help can be offered to people who, like those helped by the foundation, use the assisted places scheme. At one time, in local government circles, such help was known as the Martin Rules, which were certainly catered for in section 81B of the Education Act 1944, if the Minister cares to check it out. I fail to see why the assisted places scheme has been subverted to provide places which are already catered for—unless it is for ideological reasons.

We will not perpetuate the wholly unacceptable practice of hiving off a few to the disadvantage of the many, to prop up schools which wish to remain elitist and which ignore their wider educational responsibilities to their communities. The Minister's alarm bells ought to be ringing because our new structure, catering for all schools, is looking increasingly attractive to former direct grant schools, which are aware that the future Labour Government will remove any advantages under the assisted places scheme. Indeed, they have already suffered under the pressures of the second great recession since the Conservative party took office since 1979. Labour Members will most certainly and happily vote against the regulations.

8.34 pm

Mr. James Pawsey (Rugby and Kenilworth): I was a little surprised to discover that this draft statutory instrument is being opposed. I say that quite deliberately, notwithstanding what the hon. Member for Liverpool, Walton (Mr. Kilfoyle) has said, because Labour Members are now coming around to the wholesale adoption of Conservative education policies. For example, they are coming around to the acceptance of league tables. They have discovered virtue in them. They have discovered virtue in the national curriculum and even in testing. In short, they are beginning to adopt many Government policies. They have found excellence, and it is excellence that this motion is all about.

The motion makes a contribution to parental choice. It enables parents to select schools and it broadens children's horizons. It enables a child from an ordinary family to share in some of the benefits and the advantages which spring from the independent sector. The scheme helps those parents who, while appreciating the benefits of independent schools, would simply not be able to afford them. It enhances available diversity and choice, which Labour Members are coming around to accepting.

If Labour Members believe in diversity and choice, let them tonight withdraw their ill-founded and spiteful opposition to the assisted places scheme. The scheme positively helps children who may be socially disadvantaged; it helps children from single-parent families; it helps children who come from the inner cities. *[Interruption.]* Does the hon. Member for Walton want me to give way? I thought that he wanted to intervene. Since he does not, I shall continue.

All those laudable objectives should not receive the spiteful attention of Labour Members. We are seeing the old egalitarian enmity of Labour: old Labour dressed up as new. It takes more than a smiling leader to change the mind of the hard-nosed municipal socialist. The popularity of the assisted places scheme can be seen from the fact that about 30,000 pupils hold assisted places at almost 300 participating schools. That is an overall take-up of about 90 per cent. and I have to remind the hon. Member for Walton that 100 per cent. of the new places made available each year are now being taken up.

The hon. Member for Walton referred to polls. Interestingly, a MORI poll undertaken on behalf of the Independent Schools Information Service shows that the number of parents coming from the C2 group amounts to almost 40 per cent. That is the answer to the question that the hon. Gentleman put to my hon. Friend the Under-Secretary. Almost 40 per cent. is about 12,000 children. Among APS parents, 80 per cent. have relevant incomes below the average household income of about £12,750. Even more to the point, 40 per cent. of parents have incomes below the scheme's school's threshold of £9,352 per year, which will be uprated to £9,570 in the coming year.

Children from those families qualify for free places at APS schools. I need hardly remind Opposition Members that many of those parents voted Labour in the past, as my hon. Friend the Member for Blackpool, South (Mr. Hawkins) said. *[Interruption.]* Does the hon. Member for Walton wish me to give way this time?

Mr. Kilfoyle: The hon. Gentleman has quoted figures. Are they for income before it is adjusted or afterwards? Can he tell us what elements are taken out before the base figure of £9,000-plus is reached?

Mr. Pawsey: I am sure that those detailed figures will be given by my hon. Friend the Minister when he winds up the debate. I can, however, quote from an admirable

document given to me by the Department for Education. Indeed, I will quote it in full for the benefit of the hon. Gentleman and his colleagues. The document says:

"80 per cent. of APS parents have relevant incomes of less than the national average household income of £18,760 . . . over 40 per cent. of parents have incomes below the scheme's threshold of £9,352 pa (to be uprated)"—

as I have mentioned already—

"and their children qualify for free places at these schools".

Does that satisfy the hon. Gentleman? I take it from his silence that it does, and I am delighted.

The House will recall that the scheme has been in operation for about 15 years. Indeed, I served on the Standing Committee which considered the Bill that became the Education Act 1980. I have to compare the debates which took place at that time with our recent debates. Fifteen years ago, Opposition Front-Bench spokesmen would speak with passion and commitment, but that has all dissolved and drained away. Increasingly, Opposition Members are coming to accept the education reforms that we have introduced, at times painfully and always in the teeth of ill-considered opposition from Labour Members.

The assisted places scheme is now an accepted and integral part of the education scene. As my hon. Friend the Member for Blackpool, South said, it provides an admirable ladder of opportunity for a great many children. However, I must tell my hon. Friend the Minister that my cheerful demeanour is qualified. There is at least one aspect of the scheme that genuinely disappoints me—the small percentage of APS parents of African, Asian and Caribbean origin. The figure is only 7 per cent. I say to my hon. Friend in all seriousness that we should do a great deal more to promote the scheme to those parents.

I should like to see many more parents from ethnic communities taking advantage of the scheme. I urge my hon. Friend the Minister, therefore, to introduce measures specifically designed to encourage more children from those groups to apply for assisted places. I do not believe that the scheme should be seen as being intended principally for the white Anglo-Saxon Protestant child. It has a much wider appeal and I should like many more children from ethnic groups to take advantage of the scheme. As I said earlier, I believe that the scheme should reach out to all parts and all members of our national community. I ask my hon. Friend the Minister, when he winds up the debate, to advise the House of more measures which might be taken to widen the assisted places scheme to bring in more children from the ethnic minorities.

Mrs. Anne Campbell: Does the hon. Gentleman appreciate that the assisted places scheme currently costs us £102 million a year? If the scheme were abolished, the money could be used to benefit all members of society—ethnic minorities, children from working-class backgrounds, and so on. My authority would benefit by an extra £1 million a year, which would do a great deal to make good the appalling cuts imposed by the Government this year.

Mr. Pawsey: Unlike the hon. Lady, I come from a working-class background. I was born in the working class and educated in the working class, and I am proud of that. I say to her gently that I need no lectures from her on what she believes the working class requires. I want the maximum choice and diversity. It might be argued that grammar schools, for example, cost more. Is that why the hon. Lady would like to see them abolished? Is that why Labour Members would like to see grant-maintained schools abolished? Are we bringing everything down to mere money? *[Interruption.]* The reaction of Labour Members is to laugh. For them, the education of our children is something to laugh about. Those of us who have our children educated within the state sector do not share that light-hearted view. We take the matter seriously.

Mr. Kilfoyle: Will the hon. Gentleman give way?

Mr. Pawsey: It is a great pleasure to give way to the hon. Gentleman, whom I regard as a cheerful friend.

Mr. Kilfoyle: The hon. Gentleman is trying to ruin my reputation with my hon. Friends. I have a simple question for him. If the answer is mere money, why is the same amount of mere money not given to children in the maintained sector as is given under the assisted places scheme?

Mr. Pawsey: I have no doubt that as the economy strengthens, more funds will be made available for education. I see my right hon. Friend the Secretary of State for Education sitting in her place in this debate. Where is the hon. Member for Sheffield, Brightside (Mr. Blunkett), the hon. Gentleman's leading education spokesman? He is not in the Chamber listening to what is being said. The fact that my right hon. Friend is present to hear this debate is a clear sign of her commitment to education discussions generally.

Mr. Kilfoyle: Perhaps my hon. Friend the Member for Sheffield, Brightside (Mr. Blunkett) has more faith.

Mr. Pawsey: I can reassure the hon. Gentleman that my right hon. Friend the Secretary of State for Education has faith. Under her guidance, the education of the nation's children will continue to flourish.

Criticism has also been levelled at the geographical spread of the assisted places scheme. Again, that matter should be urgently addressed. If the participating school is some distance away from the family home, parents will be deterred from applying for an assisted place. Conservative Members at least know how expensive it is to get children to school and we know of the importance of school transport. That point is not lost on Opposition Members whose colleagues in Essex are taking away free transport for children who attend grammar schools. In those remarks, I include the hon. Member for Southwark and Bermondsey (Mr. Hughes), who occasionally leads for the Liberal Democrats on Education.

Earlier, we listened with a sense of déjà vu to what the hon. Member for Walton said. His speech was entirely predictable. In some ways, it reminded me of the earlier comments made by him and his colleagues about grant-maintained schools. I suspect that it will probably take an application by the right hon. Member for Sedgefield (Mr. Blair) for an assisted place for his son to make this measure acceptable to his colleagues.

The Secretary of State for Education (Mrs. Gillian Shephard): It might help.

Mr. Pawsey: My right hon. Friend makes an interesting intervention. She is right; clearly it would help. If the right hon. Member for Sedgefield applied, it would

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immediately stamp the scheme with the seal of new Labour. At a stroke, Labour Members would fall into line and would immediately see virtue in the APS that had previously eluded them. Like St. Paul on the way to Damascus, the right hon. Member for Sedgefield sees a blinding light which illuminates Conservative education policies and he seeks at once to make them his own. He believes that the light will show him the way to Downing street. Opposition Members will need to do a lot more than simply pinch our policies to get themselves into Downing street.

I commend the regulations, especially to Opposition Members and particularly to the right hon. Member for Sedgefield. I very much hope that Labour's ill-considered opposition will be withdrawn.

8.48 pm

Mr. Simon Hughes (Southwark and Bermondsey): Unlike the hon. Member for Rugby and Kenilworth (Mr. Pawsey), I was not here for the first year of this debate and I was not a member of the Committee that considered the Bill which became the Education Act 1980, although I have been here for 12 such debates and have taken part in several of them. Fundamentally, the arguments have not changed.

Some of the evidence has changed, but the arguments have not. My party's position has also been consistent throughout, and it will remain consistent tonight. We shall oppose the regulations because they are not justified, and the Minister tonight—as with other Ministers in the past—has not made a case to justify them. The case for assisted places has never been made in a way that justifies it as a logical way of spending the relevant amount of public money. The Minister accepts that the assisted places scheme provides opportunities for a few. There is no debate about that, as we are talking about around 30,000 assisted places pupils. If one argues that the few should be treated in a particular way, one must ask whether that way is justified.

Let me make two preliminary points clear. First, there are some cases for treating a few in a particular way and for particular reasons, the most obvious of which is special needs. If special needs provision, for example, is not arranged locally through county or borough schools, it is often purchased elsewhere. That is perfectly justifiable.

Secondly, we must ask if the debate about the scheme is to do with the validity of independent schools per se. I do not oppose the existence of independent schools, and I would regard as very unsatisfactory a nation in which there were only public authority schools. If one is trying to have diversity in education, it is very important that there is diversity in the school providers. I am not arguing for one species of schooling, as a case could not be made for maintained schools or Church schools if that were so.

If we ask the principal question—whether the assisted places scheme is justified—we must then ask the following five questions. First, does the scheme fundamentally change things? I would argue that it does not, because it brings assisted places to so few pupils. Therefore, it does not make a fundamental difference to the educational provision of the nation. Secondly, is it good value for money? We have heard the regular debate tonight, and the figures vary from year to year. They are far from conclusive.

Thirdly, does the scheme provide a better product for public money than we could get elsewhere? That is at least arguable, and it has never been proven. The research has never concluded that the scheme is the best way of spending a limited amount of public money. The scheme clearly has implications of the type which were alluded to by the hon. Member for Cambridge (Mrs. Campbell) in her intervention. If we take a certain amount of money to buy places for a few and we spend roughly twice as much on doing that as we would need to spend to educate the same number of pupils in the maintained or public sector—the capital costs having already been paid in those sectors—the number of people we are assisting is therefore fewer. In doing that, we are at the same time depriving others of the advantages that they would have received from the extra money. That is a very obvious point.

In an age when there is a general complaint—the Secretary of State knows this as well as anybody—from nearly all local education authorities that their real terms cash is being cut and class sizes are going up, it is clearly not to their advantage or to the advantage of the much larger number of children in those schools that such a funding system applies. If the money were used for a different purpose, more money would go to the other schools and the class sizes would not be so big. The education of others is being hindered by that money going elsewhere.

Fourthly, does the scheme reach the parts that it is intended to reach? The hon. Member for Rugby and Kenilworth referred to an undisputed piece of survey research about what percentage of assisted places goes to which category in terms of population, economic and social categories. The hon. Gentleman made a criticism in passing that very few places go to ethnic minority children. The research has made it clear that, in the 15 years of the scheme, assisted places have not gone mainly to the sort of children for whom they were intended. They have gone to some of those children and they may now go to more, but the evidence suggests that it is the children of parents who would otherwise have benefited the most from the education system who have been the beneficiaries. They, of course, have an interest in the scheme continuing, as the lottery has come up with a good result for them. It would be difficult to abolish the scheme as far as they are concerned, but it is not providing a fundamentally large social change. We are not identifying only the most needy families and taking them out of a system which gives them the worst schools.

Fifthly, is the scheme consistent? The Secretary of State and the Minister are right to say that educational standards have gone up in recent years. So they should, and they still need to go up hugely in many parts of the country. If educational standards in county and borough schools and the maintained sector are going up, do we not need the assisted places scheme less? Surely now we do not have such a great need to take pupils out of the normal education system and to place them elsewhere.

I wish to deal with two other matters which were raised. The Minister referred to my hon. Friend the Member for Bath (Mr. Foster), and I want to put on record in my hon. Friend's defence the context in which he referred to Dulwich college. My hon. Friend cannot be here this evening because he is on his way to Littleborough and Saddleworth. He referred in a previous debate to an article that had appeared in *The Sunday Times* which pointed

out that a number of independent schools were pegging their fees because they were finding it difficult to attract pupils. My hon. Friend said that the schools were holding down their fee levels in an attempt to reverse the drift away by parents who were struggling to pay their bills.

One of the schools mentioned in the article was Dulwich college, which the previous year received the largest amount of assisted places money—£1.3 million. Dulwich college is a school in my borough, which is also the borough of the Minister for Transport in London, who is in his place. My hon. Friend was not arguing that Dulwich college could not do without assisted places, but he made the case that there were a small number of schools which benefited, with a much smaller number of schools which received a disproportionate benefit. The hon. Member for Liverpool, Walton (Mr. Kilfoyle) made the point that Wisbech grammar school gets more than 49 per cent. of its pupils through the assisted places scheme.

Mr. Robin Squire: I will not labour the point, but, as the hon. Gentleman's quotation demonstrated, the reference to Dulwich college and the fact that it received the highest amount followed immediately after a reference by his hon. Friend the Member for Bath (Mr. Foster) to the fact that

"a number of independent schools . . . find themselves in increasing difficulties."—[*Official Report*, 19 July 1994; Vol. 247, c. 269.]

If it was not meant to be read together, why did he follow the first comment with the second?

Mr. Hughes: I do not want to go into a detailed analysis. The point is that a relatively small number of schools benefit. Clearly, the scheme is a relevant consideration and is financially helpful for them. I am not arguing that the Government keep the scheme in operation to keep certain schools in being. Coincidentally, it may have that advantage. However, if I were running an independent school that was dependent on fees, I would certainly regard it as helpful if I could get the local authority to pay for a certain number of places.

Finally, the hon. Member for Rugby and Kenilworth mentioned a subject that is tangential to the debate, but which must be dealt with. When counties such as Essex, which happens to be under a joint Liberal Democrat and Labour administration, decide that they cannot continue funding travel out of area, they do so on budgetary grounds. Like every other education authority at a time of Government restraint on their funds, they have to look for money savings. That is not an invalid criticism. The Secretary of State and Ministers keep on telling education authorities that they must shepherd their resources properly—excuse the pun—as they must, and that was the reason for the cut. It was not an ideological attack on a certain type of schooling as such travel represented a considerable budget cost. The cut has resulted in considerable savings, which have gone to other mainstream school activities.

Mr. Pawsey: Is the hon. Gentleman saying that it is purely coincidence that children whose schools happen to be attacked by both his party and members of the Labour party were selected? If he is saying that, I must point out, very gently, that I am not entirely persuaded that it is accurate.

Mr. Hughes: My colleagues voted to reduce the budget in that sector and transfer the money elsewhere, not for ideological but for cost reasons. The hon. Gentleman can believe it or not as he chooses. It is a perfectly valid ground for the decision and it is the one that they chose.

There is all the difference in the world between accepting the continuing existence of the independent sector and working with it, and buying places for a few pupils, which clearly gives them an advantage that the majority do not get. My hon. Friends and I will oppose the regulations this year, as we have opposed them in previous years, because of the failure to attain any of the objectives and the lack of evidence that the scheme is succeeding in what it was intended to do or fundamentally changes anything and, above all, the lack of evidence that it is the best way to spend what will always be limited public resources. We would not continue with assisted places. Of course, we would not prejudice those who currently enjoy them, but in the future we would look for better ways to use public money, to ensure that co-operation, where appropriate, was delivered. I believe that the public would find that considerably more acceptable.

9.1 pm

Mr. David Atkinson (Bournemouth, East): I want to use the opportunity of this debate to refer briefly to a practical example in my constituency, which clearly demonstrates how this modest, low-cost but great value-for-money assisted places scheme is helping those whom it is designed to help, by providing greater opportunities for able pupils from less well-off families, who would be cruelly affected if Labour were ever given the opportunity to abolish it, as the hon. Member for Liverpool, Walton (Mr. Kilfoyle) confirmed tonight.

Earlier this year, I received a letter from Rev. Godfrey Taylor, the vicar at St. John's Anglican church in Boscombe, which is in my constituency. I am sure that he will not mind my mentioning his name because, as he reminds me in his letter, some of his previous correspondence with me has been critical of Government policies. In this letter, however, he tells me how much his family have appreciated the assisted places scheme for children from families such as his, where money is tight. He is a Church of England clergyman on a very low income, with four children to educate, one of whom has been able to benefit from the scheme by going to an excellent independent girls' school in the constituency of my hon. Friend the Member for Bournemouth, West (Mr. Butterfill)—Talbot Heath. He certainly could never have afforded to send her there on his income, regardless of any personal sacrifice that he and his family were prepared to make.

In addition to his experience, my constituent tells me that he knows of many other families in his parish who have found this scheme of equally great assistance to them. In no way can those families—my constituents—on low incomes be described as

"creating a self-perpetuating elite whose grasp of the profound economic and social changes taking place is minuscule",

to quote the hon. Member for Sheffield, Brightside (Mr. Blunkett) in his article in *The Daily Telegraph* on 28 November 1994.

My constituent has not always supported the Government but has taken the trouble to commend them on the assisted places scheme. He hopes that it will be safe in the future and, in so doing, is clearly not alone

[Mr. David Atkinson]

among my constituents. On their behalf, may I welcome the assurance given by my hon. Friend the Minister, which he has since confirmed to my hon. Friend the Member for Rugby and Kenilworth (Mr. Pawsey): that the scheme, and independent schools, will be safe in the Government's hands? As we now know from both Opposition spokesmen, it will be safe only in the Government's hands.

9.4 pm

Mr. David Jamieson (Plymouth, Devonport): It is usually my lot in education debates to follow the hon. Member for Rugby and Kenilworth (Mr. Pawsey): tonight is an exception, I am pleased to say. He said that the Secretary of State had entered the Chamber due to her interest in this matter. She came in only during the hon. Gentleman's speech and I suggest that it was not out of her natural interest in the debate but simply to hear his eloquence. Given how he performed tonight, I suspect that we might see his name tossed forward on Wednesday for even higher office.

The hon. Member for Rugby and Kenilworth said that tonight's debate was about excellence. It is not about excellence; it is about division. He said that the assisted places scheme gave children from inner cities an opportunity to benefit from private education. But that applies only if they are bright. Does he accept that children from inner cities and other deprived areas, who are of average or below-average intelligence, could also benefit from the assisted places scheme? I take it from his silence that he does not accept that.

Mr. Pawsey: The hon. Gentleman clearly listened to the first part of my remarks. Had he concentrated with equal intensity on their latter part, he would have heard me say that I am anxious to see the scheme reach down—for example, into the ethnic communities. I want more young people to attend those schools from all strata of society. *[Interruption.]* I cannot speak over the barracking nonsense from the Labour Back Benches. The hon. Gentleman may remember my saying that I was keen on ensuring that the scheme did not apply simply to white Anglo-Saxon Protestants. I want it to have a much broader base.

Mr. Jamieson: I am grateful to the hon. Gentleman for reaffirming what I already believed: that he believes that the scheme should be open only for bright children and does not accept that children of average, just above average or just below average ability should benefit from it.

I shall not repeat the points that were made ably by my hon. Friend the Member for Liverpool, Walton (Mr. Kilfoyle). It is interesting that we should have this debate a week or so after a debate on the capping orders. Those orders cut the budget of my authority of Devon by £9 million, which is having profound effects on children in my area.

In that debate it was argued that the funding provided for children in my area and other capped areas was sufficient. Let us contrast that argument, which we heard but a week ago, with those that we are hearing tonight from the Minister and his apologists on the Conservative Back Benches. Last year the assisted places scheme received £102 million for just 32,000 children. I do not want to trouble the Minister with too much arithmetic because I know that it gives him difficulties. May I assist him by explaining that, in a local authority secondary school—even a grant-maintained secondary school where capital is included—the average amount spent is £2,200 per pupil. Yet if the Minister works out what is spent on each place in the assisted places scheme, he will see that it is at least £3,300 per pupil. If he then adds the parental contribution, he will find that we are giving about twice as much funding to children in private schools as we are to those in local education authority schools.

Decent, ordinary people throughout the country are asking: if that funding can be made available to private schools, why cannot it be made available for our children in local education authority-funded schools?

If we need extra funding to create smaller classes in private and independent schools, why cannot that money be available to local education authority schools? Like many other matters, such as the double funding of grant-maintained schools and the massive extra amounts that have been given to city technology colleges, it is simply intended to prop up the failed dogma of the Tories.

The Minister says that the purpose of the regulations is to give choice to parents. Why does not he give all parents the choice of their children, whatever school they attend, benefiting from twice as much funding as at present?

Many other arguments have been advanced in the debate, but I shall not go into them all. The hon. Member for Blackpool, South (Mr. Hawkins)—who is not in his place at the moment—said that the Opposition were displaying the politics of envy. I can tell him that people in my part of the country do not understand the politics of envy, but they do understand the politics of fairness.

There is a difference between private and independent schools and local education authority schools, and it is to do with accountability. For years, the Government have made great play of accountability, the national curriculum, the standard assessment tasks and the compulsory Office of Standards in Education report, some of which we support. However, I should like the Minister to answer the following question: why does he not expect the same accountability in those private and independent schools that receive £102 million under the assisted places scheme?

The taxpayer also pays more than £130 million into private and independent schools through the service boarding scheme. For the Minister's assistance, I calculate that slightly more than £0.25 billion of taxpayers' money is being poured into private and independent schools, which are not properly accountable in the ways that local education authority schools have been made accountable.

One or two of those schools have had Ofsted reports. Under the law as it stands, not only does an LEA school have to meet the parents, governors and the inspectors and provide to all parents a summary of the Ofsted report, but it has to make the full report available to all those parents who want it: contrast that with the schools that receive money from the taxpayer under the assisted places scheme.

I refer the Minister to a letter that I received from the then Under-Secretary of State, the hon. Member for Mid-Worcestershire (Mr. Forth), on 17 February 1994. He said, on the subject of independent schools:

"Any . . . school which is the subject of a published report is supplied with copies which it can distribute as it sees fit"—

none of that sending it to all parents. It is not, "make the report available to all parents", but

"distribute as it sees fit".

One way in which a school might distribute that report is to distribute it around the head's study and ensure that it got no further than the boundaries of the school.

The then Under-Secretary of State said in the final sentence of the letter:

"The onus is on the school to distribute the report to interested parties or to advise them where reports can be obtained."

I refer the Minister to an example of a school that I have dealt with in the past year or so, a private school that receives substantial amounts of taxpayers' money—Finborough school in Suffolk. It is not in the assisted places scheme, but it is a private school.

In March 1994, the head teacher wrote to the parents of the school, as follows:

"We have not obtained copies of the Report"—

the Ofsted report—

"for parents because"

and then he goes on to list all the reasons why parents cannot have the Ofsted report.

I suggest to the Minister, and to his right hon. Friend the Secretary of State, that if we are to place £102 million of taxpayers' money into private and independent schools, the least that we should expect of them is the accountability that we expect of local education authority schools.

9.14 pm

Mr. Robin Squire: We have had an interesting debate. If nothing else, I can assure Opposition Members that any doubts that they may have about the assisted places scheme are not shared by the many parents on modest incomes whose children have benefited from it in the past, who continue to benefit from it now and who hope to participate in it in the future. My hon. Friend the Member for Bournemouth, East (Mr. Atkinson) made that point well in his good speech.

The assisted places scheme is plainly achieving its objective of giving access to some of the best independent schools for children who would not otherwise have been able to contemplate them. Conservative Members believe that it can be only to the pupils' and the nation's advantage. We believe that the scheme has a vital continuing contribution to make. That is why we have introduced the draft regulations.

Hon. Members raised detailed points, which I shall deal with briefly. The hon. Member for Liverpool, Walton (Mr. Kilfoyle) leads for the Opposition on these matters. He must have enjoyed being able to made an education speech in which for once he was able, root and branch, to oppose a Conservative reform. As my hon. Friend the Member for Rugby and Kenilworth (Mr. Pawsey) so tellingly reminded us, a litany of reforms introduced in the past 10 years or so were fought tooth and nail by Labour Members only for us to find, particularly in the past couple of years, that suddenly the penny had dropped, the light shone and all the things that we had said about testing, publicising results and so on—I will not go through the whole list now—were accepted as a significant contribution to improving standards in this country, as of course they are.

The hon. Member for Walton found a subject tonight on which his party was able to unite. I find it a strange subject on which it unites. Let me go into the detail of some of the points that he made. He and several hon. Members, including the hon. Members for Cambridge (Mrs. Campbell), for Southwark and Bermondsey (Mr. Hughes) and for Plymouth, Devonport (Mr. Jamieson), made great play of the alleged extra cost of the assisted places scheme. I covered part of the point in my immediate response to the hon. Member for Cambridge, but let me say a little more.

The most obvious point is that any suggestion that the abolition of the scheme would save more than £100 million a year is obviously untrue. If the scheme were abolished, the great majority of assisted pupils would have to be accommodated in the maintained sector because their parents simply would not be able to afford full fees in the independent sector. Moreover, the figures quoted by some Opposition Members were misleading. That possibly even includes the hon. Member for Devonport, whose grasp of some of the figures may be just a little shaky. There is little difference between the average cost of an assisted place and that of a maintained school place when all relevant factors are taken into account. It is misleading to contrast the average net cost per assisted pupil—about £3,700 in the current financial year—with the standard spending assessment unit cost of maintained secondary schooling, for example—currently more than £2,600 pre-16 and more than £3,600 post-16. That is not comparing like with like.

First, the assisted places scheme has a greater proportion of sixth form places, which, as the House will be aware, are more expensive to provide. Moreover—

Mrs. Anne Campbell: Will the Minister give way?

Mr. Squire: No. I was generous in giving way earlier, as I know the hon. Lady will concede. I am anxious to answer the points raised in the debate.

The scheme's overall unit costs include elements for capital and other overheads not counted in SSAs. There are wide variations in SSAs between different local authorities. Some of them, for example, in inner London, are higher than the cost of the average assisted place, even without making the adjustments that I have just mentioned. Above all, the assisted places scheme offers good value for money. It produces better GCSE and A-level results than the maintained sector, as well as choice and diversity.

The hon. Members for Walton and for Southwark and Bermondsey, who speaks for the Liberal Democrats, asked about targeting. I do not want to drown the House in figures, but the simplest way to demonstrate how the scheme continues to reach those on low incomes is to compare figures on the average income of parents with children on the assisted places scheme in 1984-85 with the average national income and the figures nine years later in 1992-93—the latest year for which I have the full figures. In that time the proportion of parents on average income with children on assisted places has fallen from 69.3 per cent. to 58.5 per cent. In other words, as average national incomes have grown, the average income of parents with children on the assisted places scheme has not increased at the same rate.

Mr. Kilfoyle: The Minister has moved sharply from costs to targeting. I remind him of one of my earlier questions. To put it simply, if the cost of the scheme between 1989 and 1994 has gone up 100 per cent., from £50.9 million to £102 million, can he explain why the actual

[Mr. Kilfoyle]

expansion of places available has gone up by only 2.6 per cent. and the take-up by just 6 per cent? Where has the money gone?

Mr. Squire: The simplest answer to the hon. Gentleman is to look gently at how the costs in education have grown in that time. He will note a significantly similar movement in the figures. He can by all means pursue the subject on a future occasion, but I suggest that that is where the answer lies.

The hon. Member for Southwark and Bermondsey spoke about targeting. The Government do not claim, nor have they ever done so, that the assisted places scheme alone will meet our educational needs. The scheme should be seen as part, albeit an important one, of the Government's overall strategy to improve the education of all pupils in the maintained or independent sector. As my hon. Friend the Member for Rugby and Kenilworth said in a telling intervention, if one were to run through each and every aspect of diversity in education—which the Government endorse and applaud—the hon. Member for Southwark and Bermondsey could pick off grammar schools and a range of other measures and subject them to exactly the same schedule.

The hon. Member for Bridgend (Mr. Griffiths) asked about Wales. I confirm that 700 pupils have assisted places in schools in Wales. I cannot give a precise figure for the percentage that that represents of the total pupil population in Wales, but I do not believe that it will be different from the corresponding figure in England of about 0.5 per cent. The number of assisted places in Wales reflects the number of schools that wish to participate—eight—and the demand from parents for places.

My hon. Friend the Member for Rugby and Kenilworth, whose speech I have already praised, made an important point about the use made by ethnic minorities of the assisted places scheme. I take his point, but the proportion of such children on the scheme is broadly in line with the population as a whole. I will, however, certainly consider what further steps the Government and schools might take to ensure that ethnic minority families are fully informed about the scheme and given every encouragement to seek places on it.

The hon. Member for Devonport rehearsed his argument about the accountability, real or imagined, of independent schools to Ofsted. I am inclined to repeat what the Minister of State said to him 12 months ago: he should take the matter up with Ofsted because it is an independent body which is not in any way controlled by the Government.

Mr. Jamieson *rose—*

Mr. Squire: No, let me finish. Hon. Members have had a good run and I have given way quite a lot. I believe that I have covered all the points raised in the debate.

Despite the current user-friendly style that the Labour party leadership tries to throw over all its policies, the Opposition remain at heart opposed to real parental choice. That was demonstrated in their recent education policy statement. Nothing better underlines that attitude than their continuing opposition to APS. We point out tonight, and on every occasion that we can, that the Labour party, led incidentally by someone who was educated at Scotland's premier private school, no longer has time for bright children from poorer backgrounds. There was a time when the Labour party would have emphasised enhanced opportunities for such children. Now, those children and their parents must look to the Conservative Government to fight their cause. We shall not let them down.

Question put:—

The House divided: Ayes 243, Noes 169.

Division No. 191] **[9.25 pm**

AYES

Ainsworth, Peter *(East Surrey)*
Alexander, Richard
Alison, Rt Hon Michael *(Selby)*
Allason, Rupert *(Torbay)*
Amess, David
Ancram, Michael
Arbuthnot, James
Arnold, Jacques *(Gravesham)*
Arnold, Sir Thomas *(Hazel Grv)*
Ashby, David
Atkins, Rt Hon Robert
Atkinson, David *(Bour'mouth E)*
Atkinson, Peter *(Hexham)*
Baker, Rt Hon Kenneth *(Mole V)*
Baker, Nicholas *(North Dorset)*
Baldry, Tony
Banks, Matthew *(Southport)*
Bates, Michael
Bellingham, Henry
Bendall, Vivian
Beresford, Sir Paul
Biffen, Rt Hon John
Body, Sir Richard
Bonsor, Sir Nicholas
Booth, Hartley
Boswell, Tim
Bottomley, Peter *(Eltham)*
Bowden, Sir Andrew
Bowis, John
Boyson, Rt Hon Sir Rhodes
Brandreth, Gyles
Brazier, Julian
Bright, Sir Graham
Brooke, Rt Hon Peter
Browning, Mrs Angela
Budgen, Nicholas
Burt, Alistair
Butcher, John
Butler, Peter
Carlisle, John *(Luton North)*
Carlisle, Sir Kenneth *(Lincoln)*
Carrington, Matthew
Carttiss, Michael
Cash, William
Channon, Rt Hon Paul
Chapman, Sydney
Churchill, Mr
Clappison, James
Coe, Sebastian
Colvin, Michael
Congdon, David
Conway, Derek
Coombs, Anthony *(Wyre For'st)*
Cope, Rt Hon Sir John
Cormack, Sir Patrick
Couchman, James
Cran, James
Curry, David *(Skipton & Ripon)*
Davies, Quentin *(Stamford)*
Davis, David *(Boothferry)*
Day, Stephen
Deva, Nirj Joseph
Devlin, Tim
Dicks, Terry
Dorrell, Rt Hon Stephen
Douglas-Hamilton, Lord James
Duncan, Alan
Duncan-Smith, Iain
Dunn, Bob
Durant, Sir Anthony
Eggar, Rt Hon Tim
Evans, Nigel *(Ribble Valley)*
Evans, Roger *(Monmouth)*
Evennett, David
Fabricant, Michael
Fenner, Dame Peggy
Fishburn, Dudley
Forman, Nigel
Forsyth, Rt Hon Michael *(Stirling)*
Forth, Eric
Fowler, Rt Hon Sir Norman
Fox, Dr Liam *(Woodspring)*
Fox, Sir Marcus *(Shipley)*
Freeman, Rt Hon Roger
French, Douglas
Gale, Roger
Gardiner, Sir George
Garel-Jones, Rt Hon Tristan
Garnier, Edward
Gillan, Cheryl
Goodson-Wickes, Dr Charles
Gorman, Mrs Teresa
Greenway, Harry *(Ealing N)*
Greenway, John *(Ryedale)*
Griffiths, Peter *(Portsmouth, N)*
Grylls, Sir Michael
Hague, William
Hamilton, Rt Hon Sir Archibald
Hampson, Dr Keith
Hannam, Sir John
Hargreaves, Andrew
Haselhurst, Sir Alan
Hawkins, Nick
Hawksley, Warren
Hayes, Jerry
Heald, Oliver
Hendry, Charles
Higgins, Rt Hon Sir Terence
Hill, James *(Southampton Test)*
Hordern, Rt Hon Sir Peter
Howard, Rt Hon Michael
Howell, Sir Ralph *(N Norfolk)*
Hughes, Robert G *(Harrow W)*
Hunt, Sir John *(Ravensbourne)*
Hunter, Andrew
Hurd, Rt Hon Douglas
Jack, Michael
Jackson, Robert *(Wantage)*
Jessel, Toby
Johnson Smith, Sir Geoffrey
Jones, Gwilym *(Cardiff N)*
Jones, Robert B *(W Hertfdshr)*
Key, Robert
King, Rt Hon Tom
Kirkhope, Timothy
Knight, Mrs Angela *(Erewash)*
Knight, Greg *(Derby N)*
Knight, Dame Jill *(Bir'm E'st'n)*

Knox, Sir David
Kynoch, George *(Kincardine)*
Lait, Mrs Jacqui
Lamont, Rt Hon Norman
Lang, Rt Hon Ian
Lawrence, Sir Ivan
Legg, Barry
Leigh, Edward
Lidington, David
Lightbown, David
Lilley, Rt Hon Peter
Lloyd, Rt Hon Sir Peter *(Fareham)*
Lord, Michael
Luff, Peter
MacKay, Andrew
Maclean, Rt Hon David
McLoughlin, Patrick
McNair-Wilson, Sir Patrick
Maitland, Lady Olga
Major, Rt Hon John
Malone, Gerald
Mans, Keith
Marland, Paul
Marlow, Tony
Marshall, John *(Hendon S)*
Martin, David *(Portsmouth S)*
Merchant, Piers
Mills, Iain
Mitchell, Andrew *(Gedling)*
Nelson, Anthony
Neubert, Sir Michael
Newton, Rt Hon Tony
Nicholls, Patrick
Nicholson, David *(Taunton)*
Nicholson, Emma *(Devon West)*
Norris, Steve
Onslow, Rt Hon Sir Cranley
Oppenheim, Phillip
Ottaway, Richard
Page, Richard
Paice, James
Patnick, Sir Irvine
Pattie, Rt Hon Sir Geoffrey
Pawsey, James
Peacock, Mrs Elizabeth
Pickles, Eric
Porter, David *(Waveney)*
Powell, William *(Corby)*
Rathbone, Tim
Redwood, Rt Hon John
Renton, Rt Hon Tim
Richards, Rod
Riddick, Graham
Rifkind, Rt Hon Malcolm
Roberts, Rt Hon Sir Wyn
Robinson, Mark *(Somerton)*
Roe, Mrs Marion *(Broxbourne)*
Rowe, Andrew *(Mid Kent)*
Rumbold, Rt Hon Dame Angela
Ryder, Rt Hon Richard
Sackville, Tom
Scott, Rt Hon Sir Nicholas
Shaw, David *(Dover)*
Shaw, Sir Giles *(Pudsey)*
Shephard, Rt Hon Gillian
Shepherd, Colin *(Hereford)*
Shepherd, Richard *(Aldridge)*
Shersby, Sir Michael
Sims, Roger
Smith, Tim *(Beaconsfield)*
Spencer, Sir Derek
Spicer, Sir James *(W Dorset)*
Spicer, Michael *(S Worcs)*
Spink, Dr Robert
Squire, Robin *(Hornchurch)*
Steen, Anthony
Stephen, Michael
Stern, Michael
Stewart, Allan
Streeter, Gary
Sweeney, Walter
Sykes, John
Tapsell, Sir Peter
Taylor, Ian *(Esher)*
Taylor, John M *(Solihull)*
Taylor, Sir Teddy *(Southend, E)*
Temple-Morris, Peter
Thompson, Sir Donald *(C'er V)*
Thompson, Patrick *(Norwich N)*
Thornton, Sir Malcolm
Thurnham, Peter
Townend, John *(Bridlington)*
Townsend, Cyril D *(Bexl'yh'th)*
Twinn, Dr Ian
Viggers, Peter
Walden, George
Walker, Bill *(N Tayside)*
Waller, Gary
Ward, John
Wardle, Charles *(Bexhill)*
Waterson, Nigel
Watts, John
Wells, Bowen
Wheeler, Rt Hon Sir John
Whitney, Ray
Whittingdale, John
Widdecombe, Ann
Wiggin, Sir Jerry
Wilkinson, John
Winterton, Mrs Ann *(Congleton)*
Winterton, Nicholas *(Macc'fld)*
Wolfson, Mark
Wood, Timothy
Yeo, Tim
Young, Rt Hon Sir George

Tellers for the Ayes:
Mr. Simon Burns and
Mr. David Willetts.

NOES

Adams, Mrs Irene
Ainger, Nick
Ashton, Joe
Banks, Tony *(Newham NW)*
Barnes, Harry
Battle, John
Bayley, Hugh
Beckett, Rt Hon Margaret
Bermingham, Gerald
Berry, Roger
Betts, Clive
Blunkett, David
Brown, N *(N'c'tle upon Tyne E)*
Burden, Richard
Byers, Stephen
Cabom, Richard
Callaghan, Jim
Campbell, Mrs Anne *(C'bridge)*
Campbell, Menzies *(Fife NE)*
Campbell, Ronnie *(Blyth V)*
Campbell-Savours, D N
Cann, Jamie
Carlile, Alexander *(Montgomery)*
Chisholm, Malcolm
Clapham, Michael
Clark, Dr David *(South Shields)*
Clarke, Eric *(Midlothian)*
Clarke, Tom *(Monklands W)*
Clelland, David
Clwyd, Mrs Ann
Coffey, Ann
Cohen, Harry
Corbyn, Jeremy
Cummings, John
Cunningham, Jim *(Covy SE)*
Dalyell, Tam
Davies, Bryan *(Oldham C'tral)*
Davies, Ron *(Caerphilly)*
Davis, Terry *(B'ham, H'dge H'l)*
Denham, John
Dewar, Donald
Dixon, Don
Donohoe, Brian H
Dowd, Jim
Dunnachie, Jimmy
Dunwoody, Mrs Gwyneth
Eagle, Ms Angela
Eastham, Ken
Etherington, Bill
Evans, John *(St Helens N)*
Flynn, Paul
Foster, Rt Hon Derek
Fyfe, Maria
Galloway, George
Godman, Dr Norman A
Godsiff, Roger
Golding, Mrs Llin
Gordon, Mildred
Grant, Bernie *(Tottenham)*
Griffiths, Win *(Bridgend)*
Grocott, Bruce
Gunnell, John
Hall, Mike
Hanson, David
Hattersley, Rt Hon Roy
Henderson, Doug
Hill, Keith *(Streatham)*
Hinchliffe, David
Hoey, Kate
Hogg, Norman *(Cumbernauld)*
Hood, Jimmy
Howarth, George *(Knowsley North)*
Hoyle, Doug
Hughes, Kevin *(Doncaster N)*
Hughes, Robert *(Aberdeen N)*
Hughes, Roy *(Newport E)*
Hughes, Simon *(Southwark)*
Hutton, John
Illsley, Eric
Jamieson, David
Jones, Barry *(Alyn and D'side)*
Jones, Lynne *(B'ham S O)*
Jones, Martyn *(Clwyd, SW)*
Jowell, Tessa
Khabra, Piara S
Kilfoyle, Peter
Lestor, Joan *(Eccles)*
Lewis, Terry
Livingstone, Ken
Lloyd, Tony *(Stretford)*
Loyden, Eddie
McAllion, John
McAvoy, Thomas
Macdonald, Calum
McFall, John
McKelvey, William
McLeish, Henry
McMaster, Gordon
McWilliam, John
Madden, Max
Marshall, David *(Shettleston)*
Martin, Michael J *(Springburn)*
Martlew, Eric
Maxton, John
Meale, Alan
Michie, Bill *(Sheffield Heeley)*
Michie, Mrs Ray *(Argyll & Bute)*
Milburn, Alan
Miller, Andrew
Mitchell, Austin *(Gt Grimsby)*
Morgan, Rhodri
Morris, Estelle *(B'ham Yardley)*
Mudie, George
Mullin, Chris
Murphy, Paul
Oakes, Rt Hon Gordon
O'Brien, Mike *(N W'kshire)*
O'Brien, William *(Normanton)*
Olner, Bill
Pike, Peter L
Powell, Ray *(Ogmore)*
Prentice, Bridget *(Lew'm E)*
Prentice, Gordon *(Pendle)*
Prescott, Rt Hon John
Primarolo, Dawn
Purchase, Ken
Quin, Ms Joyce
Raynsford, Nick
Reid, Dr John
Rendel, David
Robertson, George *(Hamilton)*
Robinson, Geoffrey *(Co'try NW)*
Roche, Mrs Barbara
Rooker, Jeff
Ruddock, Joan
Sedgemore, Brian
Sheerman, Barry
Short, Clare
Simpson, Alan
Skinner, Dennis
Smith, Andrew *(Oxford E)*
Smith, Chris *(Isl'ton S & F'sbury)*
Smith, Llew *(Blaenau Gwent)*
Snape, Peter
Soley, Clive
Spearing, Nigel
Spellar, John
Squire, Rachel *(Dunfermline W)*
Steinberg, Gerry
Stevenson, George
Sutcliffe, Gerry
Taylor, Mrs Ann *(Dewsbury)*
Taylor, Matthew *(Truro)*
Tipping, Paddy
Turner, Dennis
Tyler, Paul
Wallace, James
Walley, Joan
Wardell, Gareth *(Gower)*
Wareing, Robert N
Watson, Mike
Wicks, Malcolm
Wigley, Dafydd
Williams, Alan W *(Carmarthen)*
Winnick, David
Worthington, Tony
Wray, Jimmy
Wright, Dr Tony
Young, David *(Bolton SE)*

Tellers for the Noes:
Mr. Joe Benton and
Mr. Jon Owen Jones.

Question accordingly agreed to.

Resolved,

That the draft Education (Assisted Places) Regulations 1995, which were laid before this House on 26th June, be approved.

Wroxham-Hoveton Bypass

Motion made, and Question proposed, That this House do now adjourn.—*[Dr. Liam Fox.]*

9.37 pm

Mr. Michael Lord (Suffolk, Central): I am most grateful to have been granted this Adjournment debate, which gives me the opportunity to bring before the House the worst case of its kind that I have come across in my 12 years as a Member of Parliament.

My constituents, Mr. and Mrs. Balchin, have had their lives completely ruined through no fault of their own. Their misfortune is entirely due to the heavy-handed, unsympathetic and, I have to say, incompetent treatment that they have received at the hands of the authorities responsible for building a bypass beside their home. I am delighted to see my hon. Friend the Minister for Transport in London in his place, although he is not personally responsible for the events that I shall describe. If I use strong language, I trust that he will understand. I am not aiming at him, but I trust that, by the time I have finished, he will entirely understand why I use it.

Mr. and Mrs. Balchin were living happily in their house called Swan's Harbour until along came Norfolk county council, aided and abetted by the Department of Transport, with plans to build the A1151 Wroxham-Hoveton bypass just 32 yd from their property. The result of the exercise was that Swan's Harbour became unsaleable and valueless. The security that the house had given to Mr. Balchin's business was removed, and the business collapsed. It no longer exists, and the house stands deserted. Huge debts are owed to both bank and building society, and Mr. and Mrs. Balchin have had to stand helplessly by while all this happened.

Before granting planning permission for the bypass, the Department of Transport clearly indicated that it expected Norfolk county council, which is responsible for the scheme, to take care of Mr. and Mrs. Balchin. The council refused to do so. The result has been the loss of their home, the loss of their business and eight years of misery, with no one prepared to accept responsibility for what has happened.

The bypass was first proposed by Norfolk county council in 1984, and a public inquiry was held in 1990. The case first came to my attention in 1992, when Mr. and Mrs. Balchin, having been forced to leave their home, came to live in my constituency. The decision by the Secretary of State to allow the bypass to go ahead was conveyed to Norfolk county council in a letter signed by Mr. J. W. Horton, dated 3 June 1992.

In a moment, I shall read a couple of extracts from that letter to Norfolk county council, but before I do, I should state that Mr. and Mrs. Balchin's house was worth £375,000 and had been sold for that sum before the news of the bypass drove the potential purchaser away. I shall quote from a letter to Mr. Balchin from William H. Browne, a well-known and reputable estate agent:

"Due to the very close proximity of the proposed, and now confirmed, route of the Wroxham bypass, the proximity of the proposed flyover and underpass being so close and intrusive, I consider that at this particular moment in time the property is unsaleable on the open market. The prospect of the construction work and ultimate usage of the bypass would, without doubt, dissuade any potential purchaser".

Overnight, a £375,000 house with a potential purchaser became unsaleable and the Balchins' world started to collapse.

Was that foreseeable? Of course it was. The minutes of Norfolk county council's planning and transportation committee as far back as 17 December 1987 state:

"the value of the property is considerably reduced by the proposed bypass. And Mr. Balchin uses the property as security for business loans. He claims that the decrease in value, due to the bypass, will reduce the amount he can borrow, and he believes this will adversely affect his business as a property developer. The bypass, when built, would completely alter the character of the house. If the Council does purchase, the price could be in the region of £325,000 to £375,000".

One interesting note in the minutes states:

"if the Council does not purchase Swan's Harbour, the owner will only be entitled to claim for depreciation due to physical factors. It is difficult to assess the extent of these in advance, but it is unlikely that more than £50,000 in current values will be payable".

I remind the House that, so far, Mr. and Mrs. Balchin have not seen a single penny from Norfolk county council or from anyone else, and have spent a fortune in time and money trying to defend themselves.

The final recommendation of Norfolk county council's planning and transportation committee on that day states:

"As the owner has no statutory rights to insist on the property being acquired, Members are recommended not to agree to this purchase".

I ask the House to remember that date—17 December 1987—because it was the date on which Norfolk county council set its face against doing what was right, and it has stubbornly, and against all sense of natural justice, clung to that decision ever since.

I now turn to the Department of Transport's letter dated 3 June 1992, informing Norfolk county council of the Secretary of State's decision to allow the bypass to be built. For the sake of clarity and the record, I shall quote one or two sections from that letter. In the section dealing with the objector's case, paragraph 24 states:

"Swan's Harbour will be particularly affected, being so physically dominated by the route that no countermeasures could reduce the impact. Searches in 1984 did not reveal a proposed bypass and Swan's Harbour has been substantially improved since then. The property is unsaleable and your Council refuses to buy it. The effects of the proposal have been devastating on the owners. The Council should be directed to purchase all the properties seriously affected by the proposals."

Under the heading "Inspector's Conclusions and Recommendations", paragraph 44 states:

"The proposals will have an adverse effect on the general ambiance of the high-quality Beech Road residential area and on Timberley Lodge, Swan's Harbour and Copperbeech Cottage. Whilst your Council has given adequate assurances in relation to construction and other problems at Timberley Lodge, the same cannot be said for Swan's Harbour and Copperbeech Cottage. The road would overpower these properties despite the effects of any countermeasures. If a decision is made in favour of this route, adequate compensation arrangements should be made urgently in respect of Swan's Harbour, particularly in view of the owners' financial situation."

When it comes to conclusions, under paragraph 50, after saying that the eastern bypass should be constructed, the letter recognises all the disadvantages that the route will have—particularly for people—but also recognises that those disadvantages can be mitigated to some extent by compensation.

Paragraph 51 states:

"sympathetic consideration should be given to the particular adverse effects that confirmation of an Eastern route would have on Swan's Harbour and Copperbeech Cottage and the plight of the owners".

Crucially, under the heading "The Secretary of State's Decision", in paragraph 62 appears the following:

"It is noted that the Inspector has drawn particular attention in his conclusions at Paragraph 11.47 to certain matters arising from his consideration of the Orders and Bridge scheme. He called for 'sympathetic consideration' by your Council of the plight of the owners of Swan's Harbour and Copperbeech Cottage. And finally, he said that whilst they are not for his consideration here, the Secretary of State is confident that your Council will give these matters early consideration".

At the end comes the sting in the tail:

"Details of compensation arising in consequence of the confirmation of these Orders are for negotiation with the acquiring authority, not with the Secretary of State."

Having said that he hopes that Norfolk county council will take steps to look after Mr. and Mrs. Balchin as a matter of urgency, the Secretary of State fails to take the one step that would have guaranteed their protection: the withholding of his consent to the scheme until the different parties concerned had arrived at a fair settlement.

I suppose that, in some ways, it was not unreasonable for the Secretary of State to think that Norfolk county council might behave as he wished—with reason, fairness and a little compassion; but I am afraid that he was gravely mistaken. Norfolk county council hid behind the letter of the law, and refused to help. I remind the House again of the recommendation that its officers had made, which was endorsed by elected members:

"As the owner has no statutory rights to insist on the property being acquired, Members are recommended not to agree to this purchase".

In the hope that I might persuade someone on Norfolk county council to realise just how unfair the council had been, I wrote to the leaders of the three main political groups—Mrs. Cameron, Mrs. King and Mr. Revell—explaining Mr. and Mrs. Balchin's distress and urging them to look at the case again. I received a reply from Mr. Barry Capon, Norfolk county council's chief executive and clerk. The final paragraph stated:

"The decision not to purchase Mr. Balchin's house was taken without dissent, by agreement across all parties, and they do not see any good and sufficient reason to raise the matter again".

I can only say that I hope that those ladies and gentlemen are able to sleep soundly in their beds at night—in their unblighted homes—and that they do not call to mind too often the way in which they have destroyed one family.

For a number of years, I have been a member of the Select Committee on the Parliamentary Commissioner for Administration—in other words, the parliamentary ombudsman. Over those years, I have seen many cases of this kind. As Mr. and Mrs. Balchin's case was the worst that I had ever seen, I was more than happy to refer it to the ombudsman in January 1994.

In December 1994, I received the report on the case, in which—while accepting all the facts set out by Mr. and Mrs. Balchin and all the harm they had suffered—the ombudsman failed to find maladministration on the part of the Department of Transport.

As a member of the Select Committee, I am well aware of how carefully Mr. Reid, the ombudsman, goes about these matters, so it was only after thinking the matter through most carefully and consulting widely that I asked him to reconsider the matter, and had a meeting with him to discuss it. He felt unable at that stage to alter his report or its findings. Mr. and Mrs. Balchin are currently seeking leave to challenge the ombudsman's decision in the courts.

I remain convinced that maladministration has occurred. Both the inspector who conducted the public inquiry and the Secretary of State recognised and accepted that unacceptable harm would be caused to the Balchins' property by the construction of the bypass. Those are more than adequate grounds to refuse to confirm the order for the bypass until the necessary arrangements had been put in place. These are administrative measures, and they were mishandled. What can be more maladministrative than that? What is the purpose of a public inquiry, an inspector's report and the Secretary of State's scrutiny if it is not to ensure that mistakes—and this is a huge mistake—do not happen?

If it is not maladministration in the sense that I have described it, as I believe it is, then it is maladministration as clearly defined for the ombudsman Select Committee by the Minister of State, Treasury, when he appeared before the Committee on 2 November 1994, and by Sir Patrick Brown, on behalf of the Department of Transport, giving evidence to the same Committee on 1 March 1995.

Again for the record, I want to quote directly from the minutes of evidence taken before the ombudsman Select Committee on 1 March 1995. In questioning Sir Patrick Brown, I quoted the Minister of State, Treasury as having said, when he appeared before us in November 1994:

"failure to mitigate the effects of strict adherence to the letter of law, where this produces manifestly inequitable treatment, that will now be an example of maladministration".

I asked Sir Patrick Brown to confirm that, and he said:

"Yes, Mr. Nelson was speaking for the government".

I then said:

"What we are really saying is that, even where everything has been done precisely by the law of the land, and is defensible in that sense, where that produces clearly distress and problems, then maladministration may well be shown to have occurred".

Sir Patrick Brown replied:

"That is the current arrangement for dealing with cases of this sort."

There we have it. If this is not maladministration in one form, it is maladministration in another. I trust that, before too long, that will be conceded.

Although Mr. and Mrs. Balchin's case is the worst that I have seen, they are not alone in their difficulty. A Lieutenant Colonel David Owen has recently taken on the Department of Transport because of the proposed Cirencester bypass, which is planned to run 150 m from his home. He was refused compensation, but the Court of Appeal found that he was entitled to be bought out, because his home had lost value as a result of the road. The Appeal Court judges described the existing guidelines on compensation as "a shambles". Colonel Owen's home was 150 m away from the bypass; Mr. and Mrs. Balchin's is 32 m.

It seems likely, as a result of that case, that new guidelines will be drawn up, but Mr. and Mrs. Balchin cannot wait for that. In recent weeks, I have had meetings with the Secretary of State to plead the Balchins' case yet again. He listened sympathetically, but insisted that the Government were unable to help.

This sort of inhuman treatment, dealt out to innocent citizens by the authorities, whoever they may be, might be understandable in some lawless banana republic, but

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surely not in this country in 1995. I have already said that I do not hold the Minister present tonight responsible for what has happened in the past, but I will hold him responsible, with others, for what happens in future. His Department cannot simply wash its hands of this case. Tonight, I want to hear not Pontius Pilate platitudes from the Minister but proposals for a sensible solution.

At first sight, it may seem that the Government are not to blame, or at least not wholly to blame, for what has occurred, but no one can deny that the Government were involved in the procedures that caused the problem, or that the Department of Transport, in the power it had not to sanction the bypass, was a crucial link in the chain of events that did the damage.

In a chain, one link is as important as the whole chain. When the link is as important as the Government's power in this matter, it becomes absolutely crucial. I believe that those of us who are so very concerned about the case are entitled, both morally and legally, to say that the Government have a considerable responsibility for what has happened.

In the time that Mr. and Mrs. Balchin have been suffering, the Government have introduced citizens charters of all sorts, and we continually talk about proper consultation and people's rights. If all the new initiatives are to mean anything, to me, to Mr. and Mrs. Balchin or to anyone else in this country, something must be done about the case.

What is absolutely clear in all the evidence—and it has never been denied by the Government—is that it was acknowledged that harm would be done to Mr. and Mrs. Balchin and their property. It was also acknowledged that someone had to look after them. The Department of Transport, which had the power to ensure that that was done before allowing the bypass proposals to proceed, singularly failed to take the steps that could have turned a pious hope into a fair and reassuring reality.

The Balchins' plight is desperate. They have no money, and their health is suffering. A solution must be found, and found quickly.

9.56 pm

The Minister for Transport in London (Mr. Steve Norris): I congratulate my hon. Friend the Member for Suffolk, Central (Mr. Lord) on his assiduity in pursuing this case on behalf of his constituents, Mr. and Mrs. Balchin. I know that my right hon. Friend the Parliamentary Secretary to the Treasury, the right hon. Member for Mid-Norfolk (Mr. Ryder)—who cannot speak in the House—is also concerned about the case. I see that my hon. Friend the Member for Great Yarmouth (Mr. Carttiss) is here, and I know that he is concerned, too.

It is a difficult case, and, on the facts outlined by my hon. Friend the Member for Suffolk, Central, any reasonable person would have a great deal of sympathy with Mr. and Mrs. Balchin. It might be helpful if I outline how the Department views the facts of the case, and where they lead.

My hon. Friend has been a good friend for the past 12 or 13 years in this House, but perhaps I could tell him that, in his enthusiasm to prosecute the case on behalf of his constituents, he should not be drawn into an examination of the Owen case. I have studied that case and been involved in it for some time, and I can assure my hon. Friend that the basis for that case is very different from the facts that have been adduced in my hon. Friend's case.

My hon. Friend must recognise that the most important point of all is that there is a difference between a national road scheme, which is promoted by the Department, and a local highway authority scheme, where the county council is the highway authority. As my hon. Friend pointed out, the Wroxham-Hoveton bypass is being promoted by Norfolk, in its role as the local highway authority. In February 1990, it submitted a statutory bridge scheme and orders for confirmation by the Secretary of State for Transport. Because of the number of objections to the proposals, my right hon. Friend convened local public inquiries into the bridge scheme and orders, which opened in October of that year. The inspector submitted his report on the inquiries, for consideration by the Secretary of State, in March of the following year.

In his report—and I do not think that there is any difference between my hon. Friend and me on this—the inspector drew attention to the especially adverse effect the bypass would have on Mr. and Mrs. Balchin's property, called Swan's Harbour, and on the neighbouring property Copper Beech Cottage, owned by a Mr. Evans. Although neither property was required for the bypass, in the words of the inspector it would, in the case of the Balchins' property,

"have a somewhat overpowering effect".

In recommending confirmation of the bridge scheme and orders, the inspector therefore expressed the hope that the plight of the owners of Swan's Harbour and Copper Beech Cottage would be looked on sympathetically by the county council. Those sentiments were reflected in the letter of my right hon. Friend the Secretary of State for Transport, confirming the bridge scheme and orders issued in June 1992, in which he expressed his confidence that the county council would give the matter early consideration.

That letter also pointed out—this really is important, and I am sure that, when he considers the point, my hon. Friend the Member for Suffolk, Central will recognise its strength—that matters of compensation arising as a consequence from the confirmation of orders were for negotiation with the acquiring authority and not with the Secretary of State—

It being Ten o'clock, the motion for the Adjournment of the House lapsed, without Question put.

Motion made, and Question proposed, That this House do now adjourn.—*[Dr. Liam Fox.]*

Mr. Norris: Following the issue of the Secretary of State's decision letter, an application to quash the bridge scheme and orders was made in the High Court in August 1992 by a group calling itself the Alternative Bypass Group. Although that challenge subsequently proved unsuccessful, the delay caused in the implementation of the scheme resulted in the expiry of the county council's planning permission for the project, and planning permission for the bypass is therefore being re-sought by the county council.

As my hon. Friend the Member for Suffolk, Central has said, in the interim he lodged on behalf of Mr. and Mrs. Balchin a complaint with the Parliamentary

Commissioner for Administration, based on counsel's advice that the Secretary of State should have assured that adequate compensation would be payable to the Balchins before confirming the bridge schemes and orders. In his report of December 1994, the commissioner found the complaint to be not made out, and that matters of compensation arising from a road scheme were for the highway authority and outside his jurisdiction. It is there, I submit to my hon. Friend, that the Secretary of State's quasi-judicial involvement in the scheme ends.

As my hon. Friend the Member for Suffolk, Central is aware from the correspondence that he and I have had, I fully sympathise with the predicament in which the Balchins find themselves. However, as the ombudsman made clear, matters of compensation arising from a local highway authority road scheme lie outside the jurisdiction of Ministers.

Indeed, at the specific request of my right hon. Friend the Secretary of State, I looked carefully at the issue of compensation. I have concluded, after careful examination, that there are no powers whatever available to my right hon. Friend to provide compensation in this case or to secure the provision of compensation by the local authority.

When Parliament gives the power of decision over a matter to the local authority, responsibility and accountability lie with that local authority. There is no general power which allows central Government simply to override a decision by a local authority. With respect to my hon. Friend, he knows that that way would lie chaos. Indeed, in the absence of any proper power, it would be quite improper, and probably counter-productive for a Minister to attempt in some way to exercise pressure on a local authority on the way in which it exercises its power.

Mr. Lord: I know that my hon. Friend is answering the points that I have made in great detail. In such circumstances, what frequently happens is that the Secretary of State says that he will not grant permission for a particular development until the parties concerned have got together and satisfied him that questions of compensation—or whatever has to be ironed out—will be ironed out. The parties go away, sort things out, agree the compensation, and then the Secretary of State says, "Okay, now you can go ahead." This case was an example of the Secretary of State saying that something must be done, yet not taking the practical steps to ensure that it was done.

Mr. Norris: No, I am sorry: on that point, and with the greatest respect, my hon. Friend is simply wrong. In this case, my hon. Friend's complaint to the ombudsman was that the Secretary of State ought to have sought a resolution of the issue of compensation before he confirmed the orders.

The Secretary of State submitted that in this case, he simply did not have the power to refuse to make the order until the matter had been resolved, because that resolution was in the hands of the local highway authority. That does not imply that he welcomed the local authority's decision, as I shall explain, but it makes it clear that he does not have the power to refuse to make the order.

With the greatest respect, I say to my hon. Friend that he can make the point as many times as he likes. He can imply that Ministers have the right to sweep their arms, to sweep away the rights of local authorities and to impose their interests in the matter, but he knows that that is simply not the case, and I am rather grateful for that fact.

Mr. Lord: I know that Adjournment debates are not normally prolonged, but I must ask my hon. Friend a question. What, then, is the point of the Secretary of State's scrutiny of these matters? I am sure that I can produce for my hon. Friend, not tonight but on a future occasion, numerous examples in which the Secretary of State has not been satisfied that matters have been properly organised, and has therefore simply held back permission until such time as they have been organised.

Mr. Norris: My hon. Friend is right to say that we do not have the time, or, I suspect, the legal advice, to be able to debate this point at any length. I make it clear, however, to my hon. Friend—I am sure he knows this—that, in the exercise of his quasi-judicial function in terms of confirmation of an order sought by a local authority, the Secretary of State has to satisfy himself that the powers that the local authority seeks are properly sought; that they are within the vires of the authority; that the orders have been correctly made; that the procedures have been correctly followed; and that the local authority has acquired thereby the right to take the steps that it seeks in the order.

The Secretary of State is not thereby given the right to determine that he does not like the proposal put forward by the local authority, that he will sweep away the right of the local authority, conveyed by Parliament, to exercise discretion, and that he will substitute his own discretion.

A Minister might find the matter as frustrating as my hon. Friend does, but my hon. Friend will appreciate that it is not enough to be frustrated in these matters. One must be clear where the legal remedies lie. I offer my hon. Friend some thoughts that need not stop me attempting to explain as far as I can, on the basis of the correspondence available to me, the specific position that has now been reached in the Balchin case. I believe that I may have something useful to offer my hon. Friend.

The problems in this case, and the problems of the others affected by the planned bypass, stem from Norfolk county council's decision not to use advance discretionary purchase powers, which are given to all highway authorities by section 62 of the Planning and Compensation Act 1991, which inserted section 246(2A) in the Highways Act 1980. The county council has adduced in correspondence a number of factors as underlying the decision not to use advance discretionary purchase powers.

The council considered, for example, that the depreciation of Swan's Harbour owed more to the general decline in property prices than to the existence of the bypass proposals. I note that my hon. Friend smiles. I observe only that that may be a plausible assessment of part of the reason for the reduction in value of the property. There is, after all, no doubt that the property will have suffered from the recession, as did others. My hon. Friend may, however, conclude that that is not the whole story.

It also appears that the council did not operate a discretionary scheme to implement section 246(2A). The council referred to general tightness of funds as one of the reasons why it had decided not to operate such a scheme. It concluded that the right way in which to deal with the situation faced by the Balchins was not to acquire

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their property, but to compensate them for the loss of its value due to the road one year after the new road was opened, using the powers of the Land Compensation Act 1973—assuming, of course, that they were still eligible claimants at that time.

It is not for me to override the judgment of the council. Any redress that remains for the Balchins will be for the courts, or, if there is any question of maladministration, the local government ombudsman, to decide, rather than the parliamentary commissioner.

In recent years, the courts—through mechanisms which include judicial review—have not been slow to defend the interests of citizens who may have suffered from decisions of public authorities which may lack satisfactory justification. It is not for me to obtain legal advice in this case, but there may be a question about whether the decision not to operate a discretionary scheme for which statutory provision has been made by Parliament can be justified. I emphasise that those matters are ultimately to be considered by lawyers.

Certainly, if this case had occurred in relation to a national roads scheme promoted by the Department, I—as the Minister charged by the Secretary of State with dealing with cases of discretionary purchase—would have looked carefully at the option of advance purchase. Mr. Balchin had, after all, no foreknowledge of the scheme before he purchased the property, which falls within the distance limits defined by the Department's discretionary scheme. We would also have considered hardship, and the need to realise the proper value of the property under our scheme.

The valuation would have been based on what the value of the property would have been in the absence only of the road scheme at the appropriate time. It cannot be appropriate for the acquiring authority—Norfolk county council in this case—to compensate the Balchins for the general decline in property values, which the council observed may have been just as significant as the road in this case.

I hope that my hon. Friend will read this debate carefully, because I believe that I have offered him an avenue which he may care to examine, which offers a realistic prospect of pursuing the case on behalf of his constituents. I hope that he will also gather that I have a great deal of personal sympathy for the Balchins. My hon. Friend graphically described their plight, and I know how strongly he feels about the case.

I hope my hon. Friend understands that no Member of this House—certainly not my right hon. Friend the Secretary of State nor I—would wish to stand by and see an injustice occur were it within our power to correct it. I have offered my hon. Friend the best advice possible in the circumstances, and I hope that he will find my remarks helpful in taking the case forward.

Question put and agreed to.

Adjourned accordingly at twelve minutes past Ten o'clock.

House of Commons

Tuesday 4 July 1995

The House met at half-past Two o'clock

PRAYERS

[MADAM SPEAKER *in the Chair*]

Oral Answers to Questions

DEFENCE

Naval Refits

1. **Mr. Chidgey:** To ask the Secretary of State for Defence if he will consider allowing all shipyards to compete for naval refits by ensuring that whole classes of vessels are not put within predetermined refit programmes. [30555]

The Minister of State for Defence Procurement (Mr. Roger Freeman): All shipyards are able to compete for a wide range of naval refits within the unallocated programme. An increasing volume of work will be put to competition as the number of refits in the allocated programme reduces. Eventually, the whole of the surface ship refitting programme will be available for competition.

Mr. Chidgey: The Minister has already informed the House that he is considering deferring the ending of nuclear work at Rosyth. Is he therefore also considering reviewing the allocation, and the consequences of his action on the allocation, of refit work for surface ships? If he is considering that review, will he give the House an undertaking that he will also consider the allocation of refit work for mine warfare ships—a particular concern to Vosper Thornycroft in my constituency?

Mr. Freeman: We are discussing with both the managements at Rosyth and Devonport any amendments that need to be made to the allocation of work. The hon. Gentleman is right to say that the allocation to Rosyth assumed the end of refitting to strategic nuclear submarines in about two to three year's time. We need to run on strategic nuclear submarine refits at Rosyth and therefore we will reconsider the allocation programme, but I hold out no immediate hope to the hon. Gentleman that we shall reconsider assigning whole classes of ships to Devonport.

Mr. Colvin: Without inviting tenders from others, how certain can my right hon. Friend be that the price that he receives for the refit work at Rosyth, which I acknowledge will have allocated work, is competitive? Is it not unfair that Vosper Thornycroft, which built most of the smaller warships that are being allocated to Rosyth, is not being allowed to bid for the tender for their refits? None the less, will he also take this opportunity just to tell us what the Government's position is with regard to the bids for the new type 23 frigates?

Mr. Freeman: I confirm to my hon. Friend that we expect Vosper to bid. My understanding is that it has bid for the type 23 frigates. I have a high regard for the company. I have confirmed that the yard is capable of a new build of a modern warship. On refitting, my hon. Friend is right, but to ensure that the price is competitive, we use estimates of what we believe the work of comparable ship refitting has been in the United Kingdom. We have refined our techniques for ensuring that the taxpayer gets value for money, but I look forward to the day when all ship refitting is available for competition—that should be from about 2005, and Vosper will be able to bid for all classes of refitting then.

Mr. Denham: How can Vosper Thornycroft be excluded, as the Government are currently planning, from bidding for Hunt and Sandown minehunter work until 2005? Is the Minister not aware that a shipyard such as Vosper is constantly improving its productivity and lowering its cost structures? How can his Department really know what a competitive price for that work would be unless Vosper is able to bid for at least part of the work load that has been allocated elsewhere?

Mr. Freeman: I understand the strength of that argument, but I should set against that the fact that we wish the Rosyth shipyard, in due course, to concentrate only on surface ship refitting. It is important that Rosyth should be viable. It is important that it should make a full transition from nuclear work to surface ship work. Therefore, the Ministry of Defence has an obligation to Rosyth as well as an obligation to ensure that there is as much competition as possible. I remind the House that we welcome competition for the unallocated programme of refitting work, especially for frigate work and that, by 2005, all new build yards and refitting yards will be able to compete for the work.

Mr. Gallie: I commend my right hon. Friend for sticking to the commitments that he gave to Rosyth about two years ago—commitments that were sought from both sides of the House. Is it not disgraceful that Opposition Members seem now to be trying to persuade my right hon. Friend to turn against those commitments, which he gave so readily only a year or two ago?

Mr. Freeman: I am grateful to my hon. Friend for that support. I can confirm our clear determination to ensure that there is a proper allocation of balanced work, not only for Rosyth but for Devonport. We shall not revisit our decision to allocate Trident submarine refitting work to Plymouth, Devonport, but we intend to ensure that Rosyth has enough viable work to ensure continued employment well into the next century.

Bosnia (Arms Embargo)

2. **Mr. Home Robertson:** To ask the Secretary of State for Defence what assessment he has made of the impact on international security of the lifting of the arms embargo on Bosnia. [30556]

The Secretary of State for Defence (Mr. Malcolm Rifkind): We believe that that could lead to a serious escalation in fighting in Bosnia, which would jeopardise

the humanitarian effort and the international peace process, and would lead to the withdrawal of UNPROFOR.

Mr. Home Robertson: Has the Secretary of State yet managed to convey to the United States Congress that lifting the arms embargo at this stage would certainly lead to pre-emptive strikes by those who have heavy weapons—not only the Bosnian Serbs, but the Croatian forces? As we are in a position now where the Bosnian Serb army has been blocking and attacking humanitarian aid convoys in Sarajevo and other enclaves for several months, how soon will it be before the new United Nations rapid reaction force is in a position to intervene to protect those convoys?

Mr. Rifkind: There has been some progress in convoys getting through to Sarajevo and Gorazde, but I agree that the position remains serious. A significant part of the new rapid deployment force is already in Bosnia and is available to the theatre commander. We would expect further reinforcement of that force to be able to be sent out in the near future.

Mr. Key: Has my right hon. and learned Friend discussed the effects of lifting the embargo with our French allies? Without divulging any details, can he assure the House that he has discussed, and is familiar with, the French rules of engagement and that they are the same as ours?

Mr. Rifkind: I met my colleague the new French Minister of Defence last week, and I can assure my hon. Friend that both France and the United Kingdom believe that it is necessary to have robust rules of engagement to ensure the full protection of our forces in Bosnia, who will have the full freedom to use the force that they believe is necessary to defend their lives and to perform the duties that they are entrusted to carry out.

Dr. David Clark: If the arms embargo were to be lifted, as the Secretary of State implies, we would have to evacuate the UNPROFOR forces. That would mean that 24 airmobile brigade would have to go in. Has the Secretary of State heard from the Bosnian and the Croatian Governments at this stage as to whether they are prepared to allow 24 airmobile to go in?

Mr. Rifkind: We are at the moment discussing with the Croatian Government the use of the port of Ploce as an initial base for 24 airmobile brigade. I hope that that matter will be resolved in the very near future. Of course a substantial part of the British reinforcements is already in Bosnia—almost 1,000 extra men—and we would expect the advance party of about 400 of 24 airmobile to set out for Bosnia as soon as we can reach agreement with the Croatian Government on the lines that I set out a few moments ago.

RAF Personnel (Overseas Deployment)

3. **Mrs. Gillan:** To ask the Secretary of State for Defence how many RAF personnel are at present deployed overseas. [30557]

The Minister of State for the Armed Forces (Mr. Nicholas Soames): In addition to over 9,000 personnel on permanent overseas deployments, over 1,300 Royal Air Force personnel are deployed on out-of-area operational tasks in the former Yugoslavia, the middle east and elsewhere.

Mrs. Gillan: My hon. Friend would no doubt agree that RAF personnel provide a first-class service in whichever arena they serve. Will he in particular praise the Jaguar wing from RAF Coltishall, which has been on almost permanent deployment for the past five years, first in the Gulf war, then in Turkey protecting the Kurds and latterly, since July 1993, providing close air support for UNPROFOR over Bosnia from Gioia del Colle? It is soon to be replaced by Harrier GR7s from RAF Laarbruch in Germany. Will my hon. Friend take this opportunity to acknowledge the special role that the Jag wing has played and to wish the GR7 team well?

Mr. Soames: I am grateful to my hon. Friend. Before I address her question, I congratulate her on being the only Member of Parliament on the armed forces parliamentary scheme to have flown in the Tornado, the Jaguar and the Harrier. I understand that she acquitted herself on all three missions with great distinction and without being in any way untidy.

I wholly endorse my hon. Friend's words about the Jaguar wing, which has achieved an exceptionally high strike rate over the past few years. It has done a very distinguished job in its recent deployment and will continue to do so until its end. I have no doubt that the Harriers will also acquit themselves well. I am also grateful for my hon. Friend's excellent support of the Royal Air Force.

Mr. Martlew: That is all very well but, since 1990, there have been cuts in RAF personnel of 13,000. During that time, the RAF has become involved in defence projects in Iraq and Bosnia. In this year's defence estimates, it is stated that the RAF is going to lose another 11,000 jobs. There is severe overstretch in the RAF. When are the Government going to decide either to cut their defence commitments or to stop sacking RAF personnel?

Mr. Soames: My right hon. Friends and I understand that it is the Labour party that wants to cut the Royal Air Force, not our party. I know that it will come as a terrible shock to the hon. Gentleman, but the Royal Air Force relishes the opportunity of flying operations and achieving exactly the exceptional results that it does. It is working hard. It is very busy. That is what it is there for, and it does it very well.

Mr. Wilkinson: Is it not the case that most of the Royal Air Force's overseas operations in recent years have been outside the NATO area—Turkey, Iraq and now Bosnia? What is the sense of stationing so many Royal Air Force personnel in Germany, to the benefit of the local German economy? Should they not be brought back to this country to benefit our economy when so many proud bases, such as Scampton and Finningley, have closed?

Mr. Soames: My hon. Friend, as a former Royal Air Force officer, is extremely knowledgeable in these matters. He knows well that our commitment to air defence in Germany at Laarbruch and Bruggen is extremely important. It is an essential part of our commitment to the defence of western Europe. That is why we are there and that is why we will stay there.

Nuclear Test Ban Treaty

4. **Mr. Gerrard:** To ask the Secretary of State for Defence what discussions he has held recently with his French and American counterparts regarding the nuclear test ban treaty. [30558]

Mr. Rifkind: That is one of the wide range of defence matters which I discussed with Mr. Millon and Dr. Perry in the past month.

Mr. Gerrard: Has the Minister made clear to the French the outrage felt by many people in this country at the resumption of nuclear weapons tests? Will he impress upon France, the US and other nuclear weapons states the need for a comprehensive test ban treaty, as was agreed at the non-proliferation treaty conference, with no loopholes to allow any continuation of underground tests? Will he give a commitment that this country will in no circumstances resume nuclear weapons testing?

Mr. Rifkind: The French Government have made it clear that their objective is to conclude a comprehensive test ban treaty. What they do at this moment is a matter for the French Government. I believe that they will work together with the United Kingdom and other countries towards such a test ban treaty. If the proper safeguards can be achieved, I look forward to the successful completion of the current negotiations.

Mr. John Marshall: Is not the real trouble in the House with regard to nuclear test bans that the official Opposition are stuffed full of one-sided disarmers who want to throw away our nuclear deterrent and who have taken the lead from the Leader of the Opposition who was a supporter of one-sided disarmament in the 1980s?

Mr. Rifkind: I have to say that the Opposition's policy is bizarre, to say the least. They were against Britain's possession of the nuclear deterrent at the height of the cold war and, once the cold war was over, they would have the British people believe that they have suddenly been converted to it. It is an incredible policy, to say the least.

Dr. David Clark: Does the Secretary of State recall that, as recently as 16 May, the Foreign Secretary told the House that there was no longer any need for the Government to undertake nuclear tests? Is that still the Government's view? Will the Secretary of State assure the House that he will not follow the French example and resume nuclear testing?

Mr. Rifkind: We have said that we have no intention of carrying out any further nuclear tests and, of course, the United States, which provides the testing ground, has a similar policy. The policy of the two Governments remains the same with regard to this matter.

Partnership for Peace

5. **Mr. Patrick Thompson:** To ask the Secretary of State for Defence when he next expects to visit NATO headquarters to discuss the development of partnership for peace. [30559]

Mr. Rifkind: I expect that partnership for peace will be discussed when I visit NATO headquarters in November for the next meeting of the Defence Planning Committee.

Mr. Thompson: My constituents who work at RAF Coltishall will certainly appreciate the tribute paid to their work this afternoon. Bearing in mind the fact that NATO has ensured peace and stability in Europe since the second world war, is not partnership for peace the most effective route towards enlargement of NATO by the eastern European countries? Will my right hon. and learned Friend report on the progress that has been made with the documents setting out the criteria for joining NATO in the future?

Mr. Rifkind: Partnership for peace provides not only the best basis for progress for those countries interested in joining but a framework for bilateral co-operation for countries such as Russia, Ukraine and others which are unlikely to be candidates for membership of the alliance. It enables us to develop security relationships with all those countries and that, I believe, is in the interests of our own national defence.

Dr. Reid: The Secretary of State may know that we have long held the view that partnership for peace is one of the essential elements of the new European defence structures, along with an enlargement of NATO and with NATO-Russian bilateral arrangements. Will he therefore join us in welcoming the more co-operative approach that Russia has adopted towards partnership for peace and particularly its intention, as we understand it, to join in the joint co-ordination cells?

Mr. Rifkind: Yes, we welcome the decision of the Russian Government to sign the two framework documents relating to their co-operation with NATO. I believe that it is crucial that, as the process of European security is taken forward, we develop a strategic relationship with Russia, because its co-operation would be a vital asset in ensuring peace throughout Europe, for the well-being of this country and western Europe as a whole.

Defence Equipment Exports

7. **Mr. Nicholas Winterton:** To ask the Secretary of State for Defence what steps he is taking to assist the overseas promotion of sales by United Kingdom defence equipment industries. [30561]

Mr. Freeman: The Defence Export Services Organisation helped British industry in 1994 to achieve orders worth £5.4 billion.

Mr. Winterton: Does my right hon. Friend agree that the Government should be proud of their commitment to promoting British defence exports which, from the figures that I have, could be worth as much as £7 billion annually, providing and guaranteeing some 500,000 jobs? Does he also agree that the longer and larger production runs are beneficial in saving money? In connection with the order that the Ministry of Defence is about to place for the attack helicopter, will my right hon. Friend bear in mind the Tiger, Tigrat, Euro-tiger team with which British Aerospace is involved, and which could add to the great assets that I have outlined?

Mr. Freeman: I find myself in complete agreement with my hon. Friend. Conservative Members are all proud of Britain's defence export record, which is second to none in Europe. I agree with what he said about the value of defence exports to domestic procurement prices. Because of the volume of defence exports, we can reduce the cost of domestic procurement by about £300 million a year.

As for the attack helicopter, I know that my hon. Friend has a constituency interest. We hope to announce a decision as soon as possible. I must say that we have been very thorough in our analysis and we shall be purchasing an attack helicopter in the best interests of the British Army, based on cost and operational effectiveness.

Mr. Fatchett: Is the right hon. Gentleman not scoring something of an own goal for the Government when he draws attention to the Government's record on defence exports? Is not the real issue the Government's covert and illegal support of arms sales to Iran and Iraq? Given the scandal that surrounds the Government's breach of their own regulations on Iran and Iraq, and the controversy surrounding BMARC and the role of the Chief Secretary to the Treasury, is it not true that, whatever happens in the vote on the leader of the Conservative party in Committee Room 12 today, the Government will always be remembered for sleaze, corruption and deceit of the House of Commons when it comes to exports to Iran and Iraq?

Mr. Freeman: I think that we would all agree that that was utter claptrap, and I choose my words carefully. The policy of the United Kingdom Government in the 1980s was not to supply any lethal equipment to Iran or Iraq. The record of China, Russia and other major European countries is such that our modest contribution of non-lethal equipment to those two countries pales into insignificance.

Front-line Infantry

8. **Mr. Pawsey:** To ask the Secretary of State for Defence what is the United Kingdom's front-line infantry strength; and what it was in 1990. [30562]

Mr. Soames: On 1 April 1995, the total trained strength of the infantry was about 27,000; on 1 April 1990 it was about 35,900. These figures exclude 2,000 Gurkhas, 2,000 Royal Marines and 1,250 soldiers from all other arms deployed in the infantry role.

Mr. Pawsey: My hon. Friend has a distinguished service record in a distinguished regiment, and is therefore knowledgeable in these matters. Does he really believe that the infantry strength announced to the House today is enough to ensure the security of the United Kingdom and to enable us, at the same time, to discharge our international obligations?

Mr. Soames: I am grateful to my hon. Friend for what he said. Over the past two years, he has rightly taken a close interest in these matters. We believe that the Army is large enough to meet its commitments. The numerical strength of the Army should not be regarded as the primary measure of front-line strength. Its operational capability is of prime importance. It has never been better equipped, motivated or trained. I am wholly confident that it can undertake all the tasks to which it is assigned. I am grateful to my hon. Friend for his support.

Mr. Simpson: Does the Minister agree that it is in our national interests to equip our infantry with our own equipment? Is he aware that the royal ordnance factory in Nottingham is now the only small arms manufacturer and developer in the UK, increasingly dependent on how the Government decide to allocate their procurement policies? Does he accept that it is in our national interest to ensure that our infantry is equipped on a strategic basis rather than by the equivalent of a pick 'n' mix counter at Woolworth's?

Mr. Soames: The hon. Gentleman grossly over-exaggerates to make a point. I pay tribute to the Royal Ordnance company, a subsidiary of British Aerospace, which does a remarkable job in providing excellent equipment for our forces. I reiterate that our forces have never been better equipped. I am quite satisfied that they have everything that they need. Of course my right hon. and learned Friend will ensure that, whatever they can buy plainly from British suppliers which is cost-competitive and exactly meets their needs, will be bought.

Sir Michael Neubert: What effect does my hon. Friend think it would have on the strength of our front-line infantry if, as reported, homosexuals were to be admitted to Her Majesty's armed forces? Is there any truth in the front-page story in yesterday's edition of *The Daily Telegraph*?

Mr. Soames: I am grateful that my hon. Friend has raised that matter. I believe that the effect on our armed forces would be extremely serious. I want to take this opportunity to say that the reports in yesterday's press that Ministers had decided to review the ban on homosexuals in the armed forces were wholly inaccurate. There has been no such decision.

China (Arms Embargo)

9. **Mr. Sutcliffe:** To ask the Secretary of State for Defence what reports he has received of infringements in the arms embargo imposed on China; and if he will make a statement. [30563]

Mr. Rifkind: I have not received any report confirming an infringement of the European Union arms embargo imposed on China.

Mr. Sutcliffe: I thank the Minister for that answer and I am reassured by what he said. China has a continuing record of human rights violations. The markets within China are opening up and it is now selling arms around the world. Will the Minister and the Foreign Secretary use their offices to ensure that other countries considering arms sales to China, such as Israel and Russia, are aware of the arms embargo?

Mr. Rifkind: China gets about 90 per cent. of its arms supplies from Russia, so it is clear that it is Russian Government policy that will determine whether China obtains access to the sort of equipment covered by the embargo.

French Armed Forces (Co-operation)

10. **Mr. MacShane:** To ask the Secretary of State for Defence what further co-operation or integration with the French armed forces is planned. [30564]

Mr. Soames: The United Kingdom enjoys close bilateral defence relations with France and we are always willing to investigate potential areas for further co-operation.

Mr. MacShane: I welcome that statement and hope that that military co-operation will be extended to political

and economic co-operation. Will the Minister say something about Britain's attitude to the gross provocation by France of resuming nuclear tests in the Pacific? Will he send a message of solidarity to the peoples and the Governments of Australia and New Zealand? Does he agree that, for the time being, we should be boycotting Renault and Peugeot cars? If, as Labour Members hope, the Prime Minister is soon confirmed in his post, we will toast that victory in Australian, not French champagne.

Mr. Soames: That would be going a bit too far. The hon. Gentleman tempts us down a very unwise path. Indeed, I am surprised that he has asked such a question because he is a scholar and an aficionado of all things French. He knows that the decision on testing is a matter for the French. For us, the principal objective is an early conclusion to the comprehensive test ban treaty, and the French commitment to that has been reaffirmed. As for sending a message of solidarity to the countries that the hon. Gentleman mentioned, it is the French who should do that.

Mr. Rathbone: Will my hon. Friend reaffirm the Government's support for the activities of the Western European Union and also the funding for its parliamentary assembly?

Mr. Soames: I am happy to endorse the work of the WEU. As my hon. Friend knows from his distinguished work with that body—I had the honour to serve under him for a time—the WEU continues to be developed as the European pillar of NATO and a defence arm of the European Union in a way that is complementary to the alliance. It is important that we do not forget that the bedrock of the defence of Europe is NATO. That remains our first and prime charge.

Faslane

11. **Mr. Kirkwood:** To ask the Secretary of State for Defence if he now forecasts an overspend on the budget for the construction of the facilities at Faslane; and if he will make a statement. [30565]

Mr. Freeman: The Trident works programme is expected to exceed the 1984 baseline estimate of £1.1 billion at current prices by some £800 million. The Trident programme overall is expected to cost £11.7 billion, representing a saving of £3.7 billion over the original estimate.

Mr. Kirkwood: Is not a 72 per cent. overspend an absolute disgrace? Will the Minister confirm that there have been examples of some of the construction on some of the projects involved at Faslane starting before the design work had been completed? Will he confirm that £360 million has been paid to more than 1,000 consultants who variously have been employed on the project? Will he further confirm that 50 per cent. of that £800 million overspend has been siphoned off from budgets for other projects?

Will the Minister assure the House that, after the Public Accounts Committee has properly investigated the overspend, any senior officials and Ministers responsible for that strategic gross failure will be asked to reconsider their positions?

Mr. Freeman: The hon. Gentleman is not right about the consequences for the defence budget because the Trident programme overall has come in substantially under budget. Some £3.7 billion was not required for the completion of submarines, missile systems and the works programmes, so there has been no adverse effect on the rest of the defence programme. I seek to make no apologies for the significant overrun, and I am pleased that the Trident programme was completed within 10 years. When the Public Accounts Committee has reported, we will consider its recommendations seriously and we will respond properly.

Sir Michael Shersby: What were the principal reasons for the cost overrun on the Trident project? To what extent was the overrun caused by the earthquake in Scotland, which resulted in the need to redesign certain facilities at Faslane?

Mr. Freeman: My hon. Friend will understand two of the principal reasons. The first is that the organisation of the contract resulted in PSA being in the lead for the construction of the Trident works programme, which was not completed either on budget or as expeditiously as we would have liked. We have learnt from that. Secondly, the nuclear standards that had to be met for the completion of the shiplift and the weapons facility at Coulport and other buildings were very onerous, and they changed during the 10 years of planning and construction. I undertake that when we have read the Public Accounts Committee report we will seek to give as much information that is not already contained in the report as possible.

Dr. Godman: Is the budget overspend provoking management at Coulport and Faslane into introducing tough employment practices and procedures? A number of young men who are completing their apprenticeships are being told that they will be dismissed from employment when their apprenticeships are completed. Why at the very least cannot they be given short-term contracts of employment as journeymen?

Mr. Freeman: I do not believe that current employment levels have anything to do with the Trident works overrun. The hon. Gentleman makes an important point, and I agree that the number of apprentices trained by the Army, Navy and Air Force makes a valuable contribution to society. I shall look into the point and write to him.

Bett Report

12. **Mr. Brandreth:** To ask the Secretary of State for Defence what representations he has received following the publication of the Bett report; and if he will make a statement. [30566]

Mr. Soames: We have received a number of comments and questions from interested parties both inside and outside the armed forces. As we have said previously, we shall be giving the most careful and detailed consideration to all the report's recommendations before reaching any decisions.

Mr. Brandreth: In the light of the report and the consideration that my hon. Friend said the Government will give, will he consider putting a halt to the development of Kentigern house in Glasgow as simply an Army pay and personnel centre, and consider the

establishment of a tri-service pay and personnel centre—possibly in a great historic city such as Chester, which has a proud services tradition?

Mr. Soames: I am grateful to my hon. Friend—as his constituents will be—for his vigorous lobbying on behalf of his constituents, but the establishment of the APPC in Glasgow will proceed as planned. Any decision to set up a defence agency, as presaged in the Bett report, would not in any way be adversely affected by the decision to go ahead. It is not inconsistent with that decision, and we must proceed if the Army's requirements are to be met on time.

Mr. Mackinlay: What representations has the Minister received about the privileged position enjoyed by the officers of our armed forces and their families—as distinct from the ordinary soldiers and service men and women—who enjoy the enormous benefit of having their children's boarding school fees paid to an extent in excess of £100 million a year? Is that not unfair to our other service men and women? Would it not be better for that money to be channelled into our state education system and to ensure that state schools in garrison towns had the benefit of that resource?

Mr. Soames: No.

Nuclear Weapons Testing

13. **Mr. Luff:** To ask the Secretary of State for Defence what plans he has for developing procedures as alternatives to nuclear weapons testing; and if he will make a statement. [30567]

Mr. Freeman: In the absence of underground nuclear weapon testing, we intend to develop further a range of experimental techniques and facilities for the stewardship of our nuclear weapon stockpile, including above-ground, non-nuclear experiments, lasers and computer simulation.

Mr. Luff: Following that welcome confirmation that the Government do not intend to return to nuclear testing, will my right hon. Friend nevertheless assure me that it is our absolute priority to maintain the effectiveness of the Trident nuclear defence? Does he understand that this is a matter on which Conservatives are entirely united, in contrast to the Labour party, whose members have always accorded a shamefully low priority to the protection of this country?

Mr. Freeman: I am grateful to my hon. Friend and can assure him that the safety of our nuclear weapons will be paramount in our programme. He is right: not only did 58 Labour Members sign the early-day motion to scrap Trident, but in May 1986 the shadow defence spokesman, the hon. Member for South Shields (Dr. Clark), and the leader of the Labour party were both members of parliamentary CND and both put their name to a statement supporting the removal of all nuclear weapons from British territory. That is the policy of the shadow defence spokesman.

Mr. Dalyell: From previous answers this afternoon, is the House to take it that the Government approve of French nuclear testing?

Mr. Freeman: The Government have not expressed an opinion; it is a matter for the French. My right hon. and learned Friend—[HON. MEMBERS: "Answer."] I am answering the question. My right hon. and learned Friend the Secretary of State for Defence indicated our support, the United States' support and the French Government's support for full implementation of the comprehensive test ban treaty at the end of 1996.

Bosnia

14. **Mr. Jon Owen Jones:** To ask the Secretary of State for Defence what recent discussions he has had with his French counterpart concerning the deployment of additional troops to Bosnia. [30568]

Mr. Rifkind: I met the French Defence Minister in London on 27 June. We discussed a wide range of issues, including the deployment of additional troops to Bosnia.

Mr. Jones: Has the Minister had an opportunity to read today's *The Times*, in which a United Nations spokesman was quoted as describing UNPROFOR troops in Sarajevo as "sitting ducks"? Does he agree that if our troops, French troops and other United Nations troops are not to remain another winter in Bosnia as sitting ducks, the rapid reaction forces must arrange for their withdrawal this summer?

Mr. Rifkind: No, I do not agree. For the time being, United Nations forces are carrying out a valuable role. That has been widely recognised and we hope that they will be able to continue to do so.

Miss Emma Nicholson: Will my right hon. and learned Friend confirm that, in addition to the participation of French troops in Bosnia, we have 20 to 30 other training or co-operative missions with the French at present? Am I not right in thinking that that was the prime reason for the Prime Minister supporting the defence plank of the Maastricht treaty last year?

Mr. Rifkind: There is good intergovernmental co-operation with France, as with the Netherlands and a number of other countries. We believe that it is in the interests of our defence capability to carry out joint exercises and to develop joint capabilities with a number of close allies.

Land Mines

15. **Mr. Milburn:** To ask the Secretary of State for Defence if he will ban the export of self-destruct anti-personnel land mines. [30569]

Mr. Freeman: No. It would not be right to ban completely the export of a weapon which we may in future need to import for our own armed forces.

Mr. Milburn: With more than 100 million mines already scattered across the world's battlefields, indiscriminately threatening not just soldiers but innocent civilians, has not the time come to call for a total ban on all types of land mines? Will not the Minister go one stage further by agreeing to press for a total ban, internationally, on all exports of land mines at the forthcoming UN inhumane weapons conference in September?

Mr. Freeman: The sentiments of the whole House are probably with the hon. Gentlemen. However, the plain

fact is that a complete ban on the production, stockpiling and use of anti-personnel land mines would be ineffective. *[Interruption.]*

Mr. Robathan: I am not used to such a cheer when I rise to my feet, but I am grateful for it.

Does my right hon. Friend agree that, however appalling the consequences of anti-personnel mines may be for civilians, they are a viable weapon of war that we must keep in our armoury? Is it not unfortunate that the Labour party always uses the issue as a stick to beat the Government when we have an excellent record in the export of anti-personnel mines?

Mr. Freeman: I am grateful to my hon. Friend, who is obviously correct. If we procure additional anti-personnel land mines, our policy will be to ensure that they are safe, tested and reliable, which will be a complement to the British armed forces.

PRIME MINISTER

Engagements

Q1. **Sir Michael Shersby:** To ask the Prime Minister if he will list his official engagements for Tuesday 4 July. [30585]

The Prime Minister (Mr. John Major): This morning, I had meetings with ministerial colleagues and others. In addition to my duties in the House, I shall be having further meetings later today.

Sir Michael Shersby: Will my right hon. Friend join me in condemning the decision of the Associated Society of Locomotive Engineers and Firemen to strike? Does he agree that that decision will bring misery and frustration to millions of passengers? Is he, like me, astonished that the general secretary of ASLEF has not offered one word of apology to the travelling public?

The Prime Minister: I am surprised at that and I regret it. *[Interruption.]*

Madam Speaker: Order. I shall have a little order from the Front Benches below the Gangway—on both sides. There will be one exchange at a time.

The Prime Minister: I totally condemn the decision to seek a strike, which is likely to cause chaos and confusion for hundreds of thousands of passengers. I do not believe that there is any justification whatsoever for the strike. I condemn it and I very much hope that the leader of the Labour party will condemn it as well and make it clear that he, like me, will put the interests of passengers before militancy.

Mr. Blair: Does the Prime Minister share the anger and disgust of South West Water consumers—*[Interruption.]* Tory Members may find the subject boring, but while they continue to tear themselves apart we shall speak up for the people of this country on the issues that concern them. What is more, it is not 329 Conservative Members of Parliament who should decide the Prime Minister and Government of this country; it is the British people at the ballot box.

Does the Prime Minister share consumers' disgust that the managing director has received a 45 per cent. pay increase while water bills have risen by 70 per cent. since privatisation? Is it not high time that the regulator was given the power to curb such abuse?

The Prime Minister: As the right hon. Gentleman knows, my view has been that many customers of water companies will be concerned about the reported pay increases of directors, and I share their concern. I think that, like me, many people would have no objection to pay rises that are linked to company performance, but if they cannot be linked to company performance I think that they will rightly be condemned by many people up and down the country. I propose to watch the pay increases carefully, and when we have received the Greenbury report on executive pay and remuneration we will be able to decide whether any action is necessary.

Mr. Blair: Instead of watching it, why does the Prime Minister not act to put a stop to the abuses now?

The Prime Minister: The right hon. Gentleman knows, for I have told him before—he is clearly a slow learner on this point—that we will wait and see what the committee examining the matter reports. When we have the facts in front of us, we will be in a position to take a decision: I prefer facts before decisions.

Q2. **Mr. Streeter:** To ask the Prime Minister if he will list his official engagements for Tuesday 4 July. [30586]

The Prime Minister: I refer my hon. Friend to the answer I gave some moments ago.

Mr. Streeter: Will my right hon. Friend join me in welcoming the decision of the House last night to extend the assisted places scheme for another year? What does he make of a party that voted yet again to deny the opportunities created by that scheme to hundreds and thousands of children throughout the country?

The Prime Minister: I am unsurprised at the way in which the Labour party casts its votes. Labour Members may talk about opportunity but, time after time, they vote against extending opportunity, such as the assisted places scheme. I am in favour of that scheme because I want people to enjoy opportunities that earlier generations did not have. We act on issues—the Labour party talks about them but does nothing.

Q3. **Mr. Stevenson:** To ask the Prime Minister if he will list his official engagements for Tuesday 4 July. [30587]

The Prime Minister: I refer the hon. Member to the answer I gave some moments ago.

Mr. Stevenson: Does the Prime Minister agree that today 329 Tory Members of Parliament will probably be taking the most important political decision of their lives and that it will affect every man, woman and child in the country? Does the right hon. Gentleman recognise the sense of outrage felt throughout the length and breadth of the land that such a decision will be taken anonymously and in complete secrecy?

The Prime Minister: I have to tell the hon. Gentleman—echoing the thoughts of the right hon. Member for Sedgefield (Mr. Blair) a few moments ago—that I recall Labour calling for a general election in 1985 and losing one in 1987. I recall Labour asking for a

general election in 1990, and it lost in 1992. Labour may call for a general election in 1995 but it will lose it in 1997.

Q4. **Mr. Brandreth:** To ask the Prime Minister if he will list his official engagements for Tuesday 4 July. [30588]

The Prime Minister: I refer my hon. Friend to the answer I gave some moments ago.

Mr. Brandreth: Is my right hon. Friend aware that in the City of Chester—*[Interruption.]*

Madam Speaker: Order. We need order in the House.

Mr. Brandreth: Is my right hon. Friend aware that my percipient constituents welcome low inflation and sustained growth, relish rising inward investment and falling unemployment and require a Government who represent Britain's interests at the heart of Europe—rejoicing in the literal decimation of new proposals from Brussels in the past five years? What does my right hon. Friend reckon has brought us in the direction of those happy phenomena?

The Prime Minister: I welcome the advantages that have been brought to the people of Chester by this Government. I acknowledge that they will want to see such advantages in future, and I look forward to ensuring that they do.

Q5. **Ms Jowell:** To ask the Prime Minister if he will list his official engagements for Tuesday 4 July. [30589]

The Prime Minister: I refer the hon. Member to the answer I gave some moments ago.

Ms Jowell: Will the Prime Minister apologise to the thousands of blood donors whose gift of blood was wasted last week, and to the patients whose operations were cancelled because the Government's agent, the National Blood Authority, bought cheaper blood bags? Is not that another example of what the people of this country have come to expect from the Government, who know the price of everything but the value of nothing?

The Prime Minister: One of the values of this Government's health reforms is that well over 1 million extra patients are being treated every year. One of the other values of this Government is capital expenditure worth more than £1 million every single week since 1979. One of the other advantages of this Government is more and better treatment in every aspect of the health service. One of the other values is the greatest improvement in primary health care since the health service was established in 1948. It is about time that the hon. Lady took her head out of the sand and saw what is really happening to improve the health service.

Q6. **Mr. Thurnham:** To ask the Prime Minister if he will list his official engagements for Tuesday 4 July. [30590]

The Prime Minister: I refer my hon. Friend to the answer I gave some moments ago.

Mr. Thurnham: Does my right hon. Friend agree that in negotiating our Maastricht opt-outs he proved that he is closer to the feelings of his people than any other leader in Europe? Is not the true test of leadership in Europe to trust the people to think and act for themselves? Is that not how he led us to victory in 1992 and how he will lead us to victory again at the next election?

The Prime Minister: I did then as I do now, and as I will do in the future, and that is to take the decisions that I believe are in our country's national interest and defend those decisions both abroad and here at home. It was for that reason that I set out and obtained the opt-outs. It was for that reason that I retained them. I believe that that is the right way for us to proceed.

Dr. Hendron: The Prime Minister is probably aware that once again my constituency of Belfast, West was in flames yesterday evening. I am sure that he is aware that Mrs. Briege Gadd, the head of the life sentence review board, has resigned. In that regard, and in regard especially to the release of Lee Clegg yesterday, does the Prime Minister accept that the Northern Ireland Office has sacrificed the stability of the peace process for short-term political gains? Furthermore—*[Interruption.]*

Madam Speaker: Order. The Member must be heard.

Dr. Hendron: Furthermore, my constituents justifiably believe that there is one law for soldiers and another law for Irish prisoners.

The Prime Minister: I must say to the hon. Gentleman, who has played a significant part in stilling the difficulties of Northern Ireland over recent years, that I believe that he is wrong to make that judgment. I hope that he will reflect again on what he said. The decision to release Private Clegg was a judicial matter, which was decided by my right hon. and learned Friend the Secretary of State for Northern Ireland on its merits—that is both the decision itself and the timing. The decision was made by my right hon. and learned Friend and subsequently I was informed of it. It was a judicial matter and it must remain a judicial matter.

As for the difficulties faced by the hon Gentleman's constituents yesterday, I think that he will know, as I know, and as the RUC is equally clear, that there was a high degree of orchestration in yesterday's violent events in Northern Ireland. Prominent members of Sinn Fein were present at a number of those events. They are far from the only violent demonstrations organised by Sinn Fein in recent months. I think that everyone in Northern Ireland is aware of that fact.

If I may say one other thing about Private Clegg in the light of what has been said, I say to the House and the country as a whole that it is patently absurd to equate Private Clegg's case with deliberate acts of murder by paramilitaries—*[Interruption.]* The Lord Chief Justice, at Private Clegg's appeal, stressed that when he, Private Clegg, commenced the patrol

"he had no intention of unlawfully killing or wounding anyone."

One other further point may be of some comfort to many people in Northern Ireland. *[Interruption.]* I apologise for the length of my answer, but I think that this is a matter of importance for the peace of the streets in Northern Ireland. Of other cases recently considered by the life sentence review body alongside that of Private Clegg, five other prisoners were recommended for release on life licence. Four of those involved terrorist offences and they concerned both loyalists and republicans. All

those cases, including Private Clegg's, were reviewed on their merits. Private Clegg's case was only one of a number that were considered.

Mr. Matthew Banks: My right hon. Friend is well aware of the healthy scepticism that exists, especially on the Government Benches, about a single European currency. He is also aware that many of us would like to see a referendum on the matter, if it is appropriate, in future. Does my right hon. Friend agree with me that to say no, never now to a single European currency would weaken Britain's negotiating position with our EU partners for very many years to come?

The Prime Minister: I agree with my hon. Friend about that. I had observed over the past couple of years that there is the occasional case of scepticism about European policy—that has been evident. But I believe, as my hon. Friend said, that in the event that a British Cabinet decided to enter the single currency, it would be wise at that stage to consider whether or not to have a referendum. But to determine that matter at this stage would be premature.

Q7. **Mr. Simon Hughes:** To ask the Prime Minister if he will list his official engagements for Tuesday 4 July. [30591]

The Prime Minister: I refer the hon. Gentleman to the answer I gave some moments ago.

Mr. Hughes: When the Prime Minister was previously elected, he set as one of his objectives the creation of a nation at ease with itself. If he is re-elected this afternoon, in a society and a country where the gap between the rich and the poor has become wider, not narrower, how will he show some commitment to that cause, so that under his premiership Britain is a country of social justice and greater equality, rather than one of greater social injustice and inequality?

The Prime Minister: I do not agree with the premise upon which the hon. Gentleman frames his question. The greatest destroyer of ease of mind in Britain is inflation. Inflation is now at a lower level and under more secure lock and key than at any time for the past quarter of a century. That is not just a matter of concern to people with savings; it is a matter of concern, above all, to the people about whom the hon. Gentleman is concerned—the people who, at the end of the week, wonder whether they can pay their bills and are grateful that the prices have not gone up. To protect them, we must keep inflation down. I have, I am proud of that and I intend to keep it down.

Points of Order

3.30 pm

Mr. Ray Whitney (Wycombe): On a point of order, Madam Speaker. On a number of occasions in recent months you have expressed your view on the failure of hon. Members to advise other colleagues of visits to their constituencies. I have to report that, on Sunday 2 July, the hon. Member for Glasgow, Hillhead (Mr. Galloway) visited High Wycombe. I learned about the visit a few days before it took place, but the hon. Gentleman did not seek to advise me.

That gross breach of parliamentary convention and courtesy by the hon. Member for Hillhead was compounded by the fact that he sought to address members of the Pakistan and Kashmiri community in High Wycombe on the subject of Kashmir, playing on their understandable concern about the desire for self-determination of the people of Kashmir—a subject on which I have collaborated and worked with them for the 17 years that I have been a Member of Parliament.

In his speech, which descended to the lowest level of political muck-raking, the hon. Member for Hillhead seemed to display total ignorance of the record of policies of the Labour party on Kashmir. I seek your guidance, Madam Speaker.

Madam Speaker: The only matter that concerns me as a point of order is the fact that an hon. Member did not inform the hon. Gentleman that he was in his constituency. The House well knows my views on this matter. I have made them known many times. I have asked Members to comply, but as the hon. Gentleman and the House know, I have no authority to enforce these matters. It is simply a matter of courtesy that I would like to be observed.

Mr. D. N. Campbell-Savours (Workington): Further to that point of order, Madam Speaker. May I make it plain on behalf of myself and certain of my colleagues that we do not mind at all who comes to our constituencies? We do not require notice. I do not want anyone to write to me to tell me that they are coming to my constituency; any hon. Member of any political persuasion is welcome. We find it difficult to understand why Conservative Members are increasingly sensitive to the fact that people come to their constituencies, when it is a free country in free world, and they should simply grow up.

Mr. David Winnick (Walsall, North) *rose—*

Madam Speaker: I take it that it does not relate to the previous point of order.

Mr. Winnick *indicated dissent.*

Madam Speaker: No—in that case, I must hear it.

Mr. Winnick: As you know, Madam Speaker, the decision is being taken today as to who is to be the Prime Minister in this Parliament. My point of order is simply that, as the media will be notified immediately a decision is reached, would it not be courteous for the House to be notified, too? Is it not another case where the media are notified, but we are not? We get our information from the press or television.

I put it to you, Madam Speaker, that the Leader of the House should make arrangements now, so that, when the result of the ballot is known, whether or not there is to be a second ballot—and that is inconclusive today—the House should be notified officially. I hope that arrangements will be made accordingly.

Madam Speaker: That is a matter not for me but for the usual channels. The job of the Speaker is to see that our work and our Order Paper continue to be dealt with in the Chamber. The matter that the hon. Gentleman has raised is a matter for the usual channels, if they wish a statement to be made. I prefer to see that our business goes on. Hon. Members who wish to know the result need only take a few strides out of the Chamber and they will soon be told.

Mr. Nick Hawkins (Blackpool, South): On a point of order, Madam Speaker. When I returned to the House across Westminster bridge this afternoon, I was disturbed to note that long telephoto lenses, presumably belonging to members of the paparazzi, have been installed and are trained on the whole of the Terrace, including your private section of the Terrace. Is it within your powers, or within those of the Officers of the House, to do as members of the Metropolitan police do when they protect access to the House on the public highway, and to take steps to prevent that unwarranted intrusion within the precincts of the House?

Madam Speaker: I cannot accept that it is an unwarranted intrusion if individuals, whether private persons or people from the press, wish to take photographs of the Terrace. There is nothing that we can do about it. I shall certainly not be doing anything of which I would be ashamed if photographs were taken of me. Now can we get on with our business?

STATUTORY INSTRUMENTS, &c

Motion made, and Question put forthwith pursuant to Standing Order No. 101(3) (Standing Committees on Statutory Instruments, &c.),

INCOME-RELATED BENEFITS

That the Income-related Benefits Schemes (Miscellaneous Amendments) (No. 6) Regulations 1994 (S.I., 1994, No. 3061) be referred to a Standing Committee on Statutory Instruments, &c.—*[Mr. Kirkhope.]*

Question agreed to.

Dr. John Marek (Wrexham) *rose—*

Madam Speaker: Does the hon. Gentleman have a point of order?

Dr. Marek: I wish to speak on the order of consideration motion for the Pensions Bill, Madam Speaker.

Madam Speaker: We have not yet reached that stage.

Orders of the Day

Pensions Bill *[Lords]*

As amended (in the Standing Committee), considered.

Motion made, and Question proposed,

That the Pensions Bill *[Lords]*, as amended, be considered in the following order, namely, new Clause 22, new Clause 3, new Clause 23, new Clause 1, new Clause 2, new Clause 15, Amendments relating to Clause 164, Clause 7 and Clauses 16 to 21, new Clause 21, new Clauses 11 to 14, new Clause 7, new Clause 9, new Clause 10, new Clause 17, new Clause 19, new Clause 20, Amendments relating to Clauses 125 to 133 and Schedule 4, new Clause 6, new Clause 4, new Clause 5, new Clause 24, other new Clauses, other Amendments.—*[Mr. Hague.]*

3.37 pm

Dr. John Marek (Wrexham): I apologise for having stood up to speak too early, Madam Speaker, but it is always better to be early than to be late. Once one is too late, there is nothing that one can do about it.

I want to draw the attention of the House to how curious the order of consideration is. Normally, as the House knows, Government new clauses come first, then Opposition new clauses and other new clauses. After that, we go through the amendments normally. However, this time, Madam Speaker, you will see that we are to start with Government new clause 22, then move to new clause 3, tabled by the Opposition, and then return to another Government new clause, new clause 23. Then we are to deal with new clause 1, another Opposition clause, and then new clauses 2 and 15, followed by amendments relating to clauses 164 and 7.

We shall not come to new clauses tabled by hon. Members other than the occupants of the Government or the Opposition Front Bench until we reach new clause 21, Madam Speaker—the fifth debate, according to your selection. I find that curious, but there is a reason for it. The occupants of the Government and the Opposition Front Benches have got together to ensure that all the new clauses and amendments on war widows and their pensions, and on frozen pensioners, will not be considered until after 10 o'clock tonight.

I could use various adjectives to describe that arrangement, and it does not help the House when Ministers and Opposition spokesmen get together in that way. Hundreds of hon. Members have signed early-day motions about frozen pensioners and war widows' pensions but now find that, because of collusion between the occupants of the two Front Benches, the amendments and new clauses dealing with them may not be reached until the early hours of the morning. *[Interruption.]*

Will Ministers, instead of chatting across the Floor of the House to the Opposition Front-Bench spokesmen, consider that matter? The House would appreciate that, because some of the early-day motions have been signed by 200 or 300 Members. Could not the debate on those subjects have been taken, if not in prime time, at least in time when hon. Members will be here? That is the least we could do for war widows and reserve pensioners.

I do not suppose that what I have said will make the slightest difference between hon. Members on the two Front Benches, but I register my objection to the way in which we are proceeding with—and the ordering of—the Bill.

Mr. Phil Gallie (Ayr): Surely hon. Members should be present when the business comes before the House. If the hon. Gentleman and the 200 or 300 Members thought the matter important enough to sign the early-day motion, they should be here tonight when the business is discussed.

Question put and agreed to.

New clause 22

HYBRID OCCUPATIONAL PENSION SCHEMES

'.—(1) In spite of anything in sections 9 and 12 of the Pension Schemes Act 1993 (requirements for certification and determination of basis on which scheme is contracted-out), the Secretary of State may by regulations provide, where the pensions provided by an occupational pension scheme include both—

(a) such pensions that, if the scheme provided only those pensions, it would satisfy section 9(2) of that Act, and

(b) such other pensions that, if the scheme provided only those other pensions, it would satisfy section 9(3) of that Act,

for Part III of that Act to have effect as if the scheme were two separate schemes providing, respectively, the pensions referred to in paragraphs (a) and (b).

(2) Regulations made by the Secretary of State may, in connection with any provision made by virtue of subsection (1), make such modifications of the following Acts, and the instruments made or having effect as if made under them, as appear to the Secretary of State desirable: the Social Security Contributions and Benefits Act 1992, the Pension Schemes Act 1993 and Part I of this Act'.—*[Mr. Arbuthnot.]*

Brought up, and read the First time.

The Parliamentary Under-Secretary of State for Social Security (Mr. James Arbuthnot): I beg to move, That the clause be read a Second time.

Madam Speaker: With this, it will be convenient to discuss also Government amendments Nos. 82 and 83.

Mr. Arbuthnot: New clause 22 will allow occupational pension schemes to contract out on the basis that they hold contracted-out benefits accrued on both a defined benefit and defined contribution basis. My hon. Friend the Member for Beaconsfield (Mr. Smith) tabled an amendment in Committee on this issue. I undertook to consider it with other representations, notably from the occupational pensions joint working group, which has raised related issues.

The new clause and amendments that I have tabled will increase the flexibility for hybrid occupational pension schemes to contract out, and meet in full the concerns expressed by my hon. Friend and the occupational pensions joint working group. I commend them to the House.

Mr. Adam Ingram (East Kilbride): I wish to point out that it is a strangely worded new clause. It starts out with the phrase:

"In spite of anything in sections 9 and 12".

That seems to me to be unparliamentary language. I should have thought that something more appropriate could have been put in its place. But that is not the point that I wish to make.

In Committee, when the issue was considered, the Minister said:

"Were we to make a change to the current arrangements, we should need to be sure that we could safeguard the position of individuals. For example, we should almost certainly need to introduce new rules to ensure that the value of accrued GMP rights

[Mr. Adam Ingram]

could not be eroded under any of the proposed new arrangements. It would be necessary to consider, in the light of those new rules, whether the change still seemed desirable."—[*Official Report, Standing Committee D*, 15 June 1995; c. 666.]

I simply ask the Minister to give an assurance that that matter has been taken into account and that the guarantee will apply—that there will be no loss to accrued guaranteed minimum pension rights.

I also raise a point on the contracting out arrangements that will apply to differing schemes. Would it not be appropriate to give a guarantee that the better arrangements should apply in those circumstances, because, where two different schemes are in operation, the less favourable arrangement could apply, which would affect the individuals? It would be helpful if the Minister could explain further the underlying purposes behind the new clause, and deal with the concerns that he himself raised in Committee.

Mr. Arbuthnot: We did consider those points, and we are confident that the protection that the hon. Gentleman has asked for is there.

The point of the new clause is to provide a helpful flexibility, so that both defined contribution basis schemes and defined benefits schemes can be included within the same scheme. It is not always possible to say which of those would necessarily be better, because they have very different characteristics and benefits available at the end.

So the answer to the first point is yes, but on the second point, it would not really be possible to do that.

Question put and agreed to.

Clause read a Second time, and added to the Bill.

New clause 3

CENTRAL DISCONTINUANCE FUNDS

'The Secretary of State may, after he has consulted organisations appearing to him to be representative of employers and of employees, by regulations make provision as to—

(a) the establishment of one or more bodies corporate, to be known as central discontinuance funds,

(b) the circumstances and the manner in which the trustees of an occupational pension scheme to which section 48 applies and which is being wound up may transfer the scheme's assets and liabilities to a central discontinuance fund established under this section,

(c) the regulation of the administration of central discontinuance funds established under this section and the management of their assets.'.—[*Mr. Dewar.*]

Brought up, and read the First time.

3.45 pm

Mr. Donald Dewar (Glasgow, Garscadden): I beg to move, That the clause be read a Second time.

This is an innocent-looking new clause; it is also short, which is a virtue, and written in plain English. That marks it out from a large acreage of a Bill that, as a result of our efforts in Committee—or perhaps I should say the Government's efforts—has swollen by some 30 pages and a good handful of clauses.

Although deceptively simple, however, the clause revisits one of the most complex and difficult parts of the new provision. It was discussed extensively in Committee, but I make no apology for returning to it now. I had hoped that we would have a good deal of time in which to think about it, and particularly for the Government to think about it, but that did not happen; Report stage has arrived very quickly. Nevertheless, I think it important for us to canvass again what are very important and far-reaching arguments.

As we have just been reminded, there is pressure of business, so I shall not rehearse the history and travel through the intricacies of the widely differing opinions that have been expressed; but I think that it would be helpful to summarise the progress that has been made since the original suggestions of the Goode committee.

In shorthand, as it were, Goode recommended that, at all times, the assets of a pension scheme should be in a state to meet all liabilities, on the assumption that that scheme would be wound up. It was a matter of transfer values, and the transfer of cash equivalents. The aim, with which none of us would disagree although the practical problems of achieving it are manifest, was total security. Since then there has been considerable to-ing and fro-ing, along with many learned conferences and, I fear, many boring speeches; but I accept that the Government's position has moved considerably.

We reached a compromise—if that is the right word—which stands in the name of the hon. Member for Bournemouth, West (Mr. Butterfill), in that he was the perhaps unwilling recipient of a long and complex letter which has given him an ersatz immortality, and the arrangement has been referred to as the "Butterfill compromise".

The Government said, in effect, that, in the calculation of their pension liabilities, the larger pension funds would be able to take into account 25 per cent. of the calculation based on equities rather than gilts. That was intended to lighten the load to some extent, and to confer some flexibility. It was also agreed that the time within which pension funds must meet the various benchmarks set out by the Goode committee would be lengthened considerably.

The compromise certainly helped, in that it was given a reasonably friendly reception, but many doubts remained—and, if anything, grew. The Confederation of British Industry, for instance, was unhappy with the arrangement, reflecting a wide range of concerns felt throughout industry. There was also a complex debate between actuaries and between the various pension funds, involving their representative body, the National Association of Pension Funds.

We secured another important change—a presentational change, at least: the minimum solvency requirement became a minimum funding requirement. That, however, did no more than change the label on a product that has incurred consistent and increasing criticism.

The trouble is that we are involved in a revolving door argument. We are trying to make compatible two basically incompatible aims: total security, and a wish not to inhibit unreasonably the management of funds in the scheme in the interest of maximising benefits for members. To be fair, I believe that that was recognised on both sides of the Standing Committee.

The hon. Member for Beaconsfield (Mr. Smith), for example, rather uncharacteristically—I do not say that sarcastically; he does not often think that it is required—expressed considerable sympathy with my view, at least in the context to which I have referred.

The trouble is that, the more one compromises on security in the interests of growth, the more insecure the prospects become, and vice versa. We are left with an uneasy compromise and a Government—this may be unfair to them—who, at the end of the day, have said, "We have been pushed and jostled, we have agonised and worried, we have come to a conclusion, we have settled at a point in the scale, and we will not change it again. We have had enough, and we are going ahead on the basis of the argument at this stage."

I shall briefly try to invite the Minister—I suspect that it will be a hard job, but I intend to put my best foot forward—to reconsider the issue. Of course, he knows—the title of the new clause tells us—the burden of my plea.

There has been a strong feeling that we should be moving away from the winding-up principle, involving transfer values and cash equivalents, and towards valuing the system. We should be assuming that pension schemes will continue. We should value them on a continuing basis, and move towards a contributions basis with that in mind.

The actuary to the scheme should be invited and asked to draw up a schedule of contributions, the aim of which is to ensure that, at all times, the assets in the scheme keep closely in touch with—and I hope, in the majority of cases, up to 100 per cent. up to—the safety level outlined in the Goode committee report.

There is no doubt that, with the minimum funding requirement, there is a possibility that people may coast and allow the asset valuation to drop, and to sag, if I may use that metaphor, below the safety point, no doubt with the well-intentioned view that, at some point in a year or two, they can put in a major cash injection and save the position.

The trouble, of course, is that, if disaster strikes, we get a point where winding-up comes just when the sag is at its deepest. As a result, people may find that what they thought were well-protected and safely guarded assets are, at least in part, missing, and that their pension promise has unfortunately gone with the wind. Obviously, we are anxious to avoid that.

The minimum solvency requirement has problems in terms of expense. As at present drawn, it assumes a substantial shift from equities to gilts, even after the compromise to which I referred has been taken into account. There is an argument about the costs. I do not want to go into that, because we did so at some length in Committee. But briefly, if I remember correctly, the Minister takes the view, based on the cost compliance memorandum, that the shift will be between £5 billion and £12 billion over a period. He put that at a cost to funds of between £300 million and £400 million over a 12-year period.

That is a substantial sum of money and shift, and should not be shrugged off, but it is challenged in any event. The CBI is unsure whether its sample was as big as the Minister would have liked, and whether it was conducted before the adjustment was made to the formula, but it talked in terms of a £1.9 billion cost over 10 years. Even allowing for the adjustment, clearly those are substantial costs.

My real concern is that, even now, the minimum funding requirement flatters to deceive, and has the inherent dangers to which I have referred. I did not look up the actual reference, but I clearly have in my mind an exchange between myself and the Under-Secretary of State for Social Security in Committee on independent custodianship. The burden of his argument was that such custodianship should not be introduced because it flattered to deceive, to use a phrase that I have just mentioned: it offered or appeared to offer guarantees, or it would be seen and understood to offer guarantees that it could not offer. That was one of the main reasons why the Under-Secretary of State, with the aid of his hon. Friends, successfully resisted in Committee the introduction of independent custodianship.

If that is a decisive argument in that case—I understand it, although I do not accept it—and if that is the opinion of the Under-Secretary of State, it seems to me that that opinion should be transferred into the aspect that we are discussing under the new clause, and that he should consider carefully whether there is a danger of inviting the public to assume that there is a guarantee when no guarantee exists.

I accept that it is difficult to offer a guarantee; on that we are united. However, I believe that the contributions approach—a contributions approach that would be joined to a central discontinuance fund—holds out promise of genuine progress and improvement. I argued that alternative approach in Committee, and the Under-Secretary of State remained unconvinced. I hope that, in the intervening time—that was one of our earlier debates in a lengthy consideration in Committee—he may have had some second thoughts.

The clause is not revolutionary. Some of my hon. Friends would say that I am not noted for revolutions, but in any event it is not revolutionary. It has been drawn sensibly in terms of enabling legislation, asking the Minister to consult and, by regulations, make provision for

"the establishment of one or more bodies corporate, to be known as central discontinuance funds".

It does not try to pretend that it can draft the framework and regulations at this stage, from the Opposition Benches—that would be arrogant and counter-productive. It is better, on this level, if the Minister is prepared to entertain the argument.

The shift to the contribution basis makes sense. It would make it easier for people to keep in line with the pension promise and the liabilities they shoulder. The central discontinuance fund is an important safeguard—although I accept that there are arguments on both sides—because it assumes that, rather than compulsory winding up or continuing in a closed scheme, there is the option of handing the assets over to the central discontinuance fund and continuing to operate the scheme under its auspices.

We thereby get away from the present position, in which, if an unexpected disaster arises or if there is a shortfall, there may be no option but to wind up. As the Minister knows, there have been one or two outstanding examples of that happening, and substantial percentages of accrued rights have had to be written off. I emphasise that I would expect the central discontinuance fund to operate on the basis that it takes over the assets and then calculates what it can afford to undertake, given the yield of those assets and their likely history in its hands.

[Mr. Donald Dewar]

There is no doubt that that continuity is advantageous. Winding up has the unpleasant side effects that I mentioned. With a closed fund, there are difficulties concerning trustees, administrative costs tend to be great, and there is little opportunity for growth.

I emphasise that the central discontinuance fund would arise only where the employer has gone to the wall. Self-evidently, if the employer continued to trade, the employer would still have to shoulder the pension promise. If there were fraud, the central discontinuance fund would not arise, because the compensation scheme set out in the Bill would take charge. However, there are substantial arguments for a central discontinuance scheme in cases where the employer has gone to the wall.

As I understand it, there was in the mind of the Minister of State one especially substantial argument against a central discontinuance scheme—the fact that the Opposition, who are proposing that scheme, were hopelessly over-sanguine about the possibility of a deficit emerging. I quoted Watsons, the well-known firm of actuaries, to suggest that it was a comparatively remote possibility, and one that would be eminently manageable and easy to cope with.

We are told that the Government are less sanguine, although I think that it is fair to say that, when the Minister gave evidence to the Goode committee—the Pension Law Review Committee—he took the line that there was virtue in a central discontinuance fund system. However, the Minister certainly relied on his rather more pessimistic assumptions, and also talked about the American experience with the Pensions Benefit Guaranty Corporation.

I do not want to plunge into such technicalities on Report, when we have already canvassed them very heavily. I draw the Minister's attention to the fact that there is a substantial body of opinion that backs the approach that I take.

I do not for a moment deny that there will be critics on the other side of the argument. As always—this is perhaps a happy reference at this hour and place—there will be those who will stay with the devil they know even though they are unlikely to take much satisfaction from it. In any event, there is no doubt that there is a strong body of support for the approach that I am outlining.

4 pm

Mr. Tim Smith (Beaconsfield): Could the hon. Gentleman say whether we need regulations to make provision for the establishment of central discontinuance funds? Why should not the CBI set up its own central discontinuance fund pension scheme, to which the trustees of schemes that have gone bust could transfer assets and liabilities?

Mr. Dewar: That may be a private enterprise solution that commends itself to the hon. Gentleman, and I do not sneer at his proposal. However, there is a general assumption on both sides of the House, and clearly in the mind of the Minister, that where we are offering safeguards for the pension promise and building an essential regulatory framework as the guarantee of security after public confidence has been heavily shaken in the aftermath of the Maxwell scandal and, less dramatically, by the ravages of recession, which put many pension funds under pressure, such a fund should be on a statutory basis and supervised by the Government.

That is why we are in the business of minimum solvency or funding levels, and I certainly would not want to depart from that. I am told that it would not be too difficult technically for the Government to move on that within the framework of the Bill. That is why new clause 3 has been drafted as it has.

The hon. Member for Beaconsfield diverts me. I was going to point out to the Minister, as I come towards the end of my remarks, that the weight of opinion seems to be for my side of the argument, although not 100 per cent. behind me. The Minister recently paraded with great pride the Prudential insurance company and a memorandum from it. I am not sure that the arguments that it advanced were not equally valid against minimum funding levels. They were equally applicable in both cases. It was a reminder that perfection is hard to come by.

There is support for a central discontinuance fund, through a contributions approach, from the Trades Union Congress, which has worked extremely hard on the issue and found, as it pushed the argument along, that it was not travelling alone. We had a great deal of support in the House of Lords. I pay tribute to my noble Friend Lord Eatwell, who particularly espoused the cause. When he first brought it to me, I was somewhat cynical, but my enthusiasm grew as the argument progressed. The Pensions Management Institute, the PMI, strongly favours it, and a number of firms and important funds have said at least that they want it to be further investigated.

I would especially like to draw to the Minister's attention the position of the CBI. I do not say that it is the fount of all wisdom—it would regard me with considerable suspicion if I argued that case—but it has some experience, and has spent a good deal of time considering what is on offer and what seem to it to be the best options. The best and easiest thing is for me to remind the Minister of the briefing material—he probably knows it—that the CBI produced for this debate. I will read it only briefly into the record, as the Minister, ever-efficient, has the very text on his lap.

The briefing states:

"There is . . . concern among CBI members that the MFR"—

the minimum funding requirement—

"would become more restrictive—and thus costly—over time. There would seem merit, therefore, in giving further consideration to the idea of an on-going funding standard backed by a central discontinuance fund (CDF) or funds. This would allow the trustees, in cases where the employer becomes insolvent, to transfer the scheme's assets and liabilities to a CDF which would operate as a pension fund and could invest in equities as do on-going schemes. Members would be protected as the benefits produced by a CDF should prove higher in the long term than could be expected from the current alternatives",

which are winding up or going on as a closed scheme.

The briefing continues:

"We would, therefore, support the addition of a clause which would enable, but not require, central discontinuance funds to be set up. This would facilitate the move to an on-going funding standard in the future if, after further study, it appeared the better proposal."

I accept that that is cautious. The CBI is not supporting the notion 100 per cent., but it makes it clear that it believes there are potential advantages, that the scheme should be considered and that machinery should be included in the Bill to allow progress along that route if,

as the CBI clearly thinks, it is likely to turn out to be the best approach. It is very much in that spirit that the clause has been drafted and is being moved.

The Minister should reconsider and leave the option open. He must recognise that, although he may be able to quote cynics on one side of the argument, many people believe that the new clause is the right way forward. A little flexibility in government would mean that the debate could reasonably be pursued without the feeling that the door had been slammed on the proposal because there was no room for it in the current legislation. We want to get away from that kind of full stop and make a constructive attempt to get the right answer to a difficult problem.

Ms Judith Church (Dagenham): I shall add only a few words to what my hon. Friend the Member for Glasgow, Garscadden (Mr. Dewar) said, in his usual superb way. This is an important but complex debate. There are several clear principles which highlight the need for the new clause.

The case for a central discontinuance fund rests on three pillars: the inadequacy of having only a minimum funding requirement; the practical benefits of a central discontinuance fund; and the experience of how other countries with a CDF operate it.

The essential problem with the Government's proposals is that, like Goode, they are trying to reconcile incompatible goals. With only an MFR, it is impossible to encourage long-term efficiency. It requires high-yield equity holdings while prioritising short-term security, which of course requires low-yield gilt. The MFR is too stringent for the first objective and too lax for the second. With just an MFR, the cost of full security—in terms of higher consumer premiums and effects on the equity market—is simply too great.

The practical benefits of a CDF are clear. It would provide a low-cost complement to an MFR and make up for the deficit in security that exists if we remained with only an MFR. It would provide a cost reduction, because it would pool the risk of fund failure among all the schemes. The Government's approach will require all schemes to "insure", via the shift towards gilts, on the basis of an individual fund's probability of collapse.

In contrast, a CDF would enable schemes to "insure", via a very small industry levy, on the basis of the aggregate probability of collapse. Because of the much lower aggregate probability of collapse, the cost of security under a CDF would be much smaller than under the Government MFR. Only through a central fund could one get such economies of scale and exploit them fully. The final result with a CDF would be a low-cost comprehensive insurance scheme for all pension funds.

I shall refer finally to the experience of the operation of a CDF in other countries, which has been discussed in another place and in Committee. The practical evidence from other countries not only endorses all the arguments we have made today but expands the case for having a CDF in the UK pensions market.

Finland, for example, has an exceptionally well-functioning CDF. Beyond the core advantages that I have already mentioned, it has further value-added benefits. As set out by the Government Actuary in his report to the Goode committee, the Finnish CDF acts as a clearing house for financial adjustments between schemes to permit the whole of an individual's pension to be paid by a single employer. That overcomes a major weakness of occupational pensions, in that they discourage mobility between jobs and reduce labour market flexibility.

The Japanese also have a very good CDF. In an economy such as theirs, with a heavy reliance on corporate social welfare and widespread occupational pensions, a CDF is regarded as an essential part of the market structure. Of course, America has an effective CDF too. Since 1974, when the Pensions Benefit Guaranty Corporation was established, the benefits of thousands of scheme members in the United States have been saved from a failure of their pension fund. Indeed, America is very similar to Japan, in that there is minimal state provision and significant corporate social welfare. Just as in the Japanese system, the CDF is viewed in America as a necessary part of an efficient market.

The Government have held up the American CDF as a reason for not proceeding with a UK CDF, but their arguments simply do not stand up. The only caveat to success in the American instance has been a tendency towards deficit in the CDF, but that has been more related to the specific nature of the American experience than to the principle of a CDF itself. That could easily be avoided in the British CDF, by allowing only the entry of schemes from firms which have ceased trading.

The lessons from those international examples are clear: provided that there is prudent implementation, a CDF would deliver in practice the advantages which make it so attractive in theory. Overall, a CDF would bring security to the benefit promise, and it would be efficient, equitable and just.

In our evolving pensions market, with increased reliance on the private sector, the dangers of a fund collapse need to be taken more seriously. It is no accident that, in countries where there is widespread private provision, a CDF is an integral component of the market mechanism. We must take note of the theoretical reasoning, the practical evidence, and, above all, the real concerns of our constituents when we consider the new clause. If we truly take note of those aspects, there can be only one answer: this House must support this well-thought-out, widely supported and universally beneficial proposal.

Mr. Hugh Bayley (York): My hon. Friend the Member for Dagenham (Ms Church) has spelled out the economic arguments for a central discontinuance fund very well, and I shall not detain the House further on those issues. The root of our argument is that it is better for people who pay into occupational pension funds to pool the unlikely risk of their employer winding up his business, and their pension therefore being put in jeopardy, than for each pension fund to pay a separate risk payment.

We debated the matter at length in Committee, and the Minister and I agreed at the end of the day that there was no such thing as a free lunch for anybody in a pension fund. I am prompted to return to the issue, however, because since that debate I have received a letter from David Morgan, the group pensions manager of Nestlé, the largest manufacturer in my constituency. I have no financial interest whatever to declare, and I raise the matter simply because thousands of my constituents are Nestlé pensioners or members of the Nestlé pension scheme.

[Mr. Hugh Bayley]

In the letter, Mr. Morgan says:

"We do have severe worries about the level of cost volatility which could emerge from the current minimum funding proposals . . . It is with some interest that we saw the recent TUC paper revive the concept of a central discontinuance fund or pension protection fund as originally conceived by Watsons and espoused by the Government Actuary.

If this could be made to work, it would be a preferable solution."

Mr. Morgan also urges the Government to keep an open mind, study further the proposal for a CDF and express their willingness—I hope the Minister will respond to this point in particular—to keep the matter under review, and to change horses if a practical way of establishing such a fund is found.

4.15 pm

I draw the Minister's attention to the fact that the new clause does not require the Secretary of State to establish a CDF; it simply permits him, now or in the future, to do so if he thinks fit. It provides the Minister with the opportunity to continue to study the issue. If, at some stage, he then feels it appropriate to bring forward proposals for a CDF that the pension funds think might help to reduce the cost of individually insuring against the unlikely event of winding up, the Minister could do so without having to return to the House with primary legislation.

In Committee, we debated whether the Government would have to be a backer of last resort if such a fund were established. Of course, that is a possibility; indeed, they took on that responsibility for the Maxwell pensioners. However, the backer-of-last-resort responsibility could be shared by those pension funds that decided to cover their liability, in the event of a wind-up, through a CDF.

Mr. Morgan expressed concern that, under the Bill, the burden of the minimum funding requirement would put pressure on all employers to consider whether they could continue with final salary pension schemes. Indeed, he predicts that there will be a reduction in the number of such schemes—although he does not think that there will be any change in his company, he feels that there will be in others—and that there will be an increase in money purchase schemes.

If that is the case, it will underline the need to try to reduce the burden of the minimum funding requirement. It would be wise and prudent of the House to establish, as the new clause proposes, provision for a CDF, should the need arise and should a practical scheme for doing so be developed.

The Minister for Social Security and Disabled People (Mr. William Hague): As the hon. Member for Glasgow, Garscadden (Mr. Dewar) said, we debated this matter at great length in Committee. It is a complicated issue, and I have no objection to the hon. Gentleman and his colleagues raising it again in this non-revolutionary way.

In a moment, I shall deal with the argument whether a central discontinuance fund is a viable alternative to the Government's proposals. However, given that much of this debate stems from concern about the possible impact of the minimum funding requirement, it might be appropriate to offer reassurance—adding to what I said in Committee—to people such as the manager of Nestlé, to whom the hon. Member for York (Mr. Bayley) referred, and the CBI, whose briefing was referred to by the hon. Member for Garscadden.

It is important to remember what the MFR is intended to achieve. It is about providing security for members so that, whatever happens to the sponsoring employer, they can expect pensions already in payment to continue and younger members to receive a fair actuarial value of their accrued rights. That is all we are asking for.

We know from our survey that most schemes usually fund at a higher level, and it is right that they should continue to do so. In developing our proposals for the MFR, since the publication of the Goode report and last year's White Paper we have commissioned extensive analysis and consulted widely. We have made a number of changes—which I will not go over again, but which the hon. Member for Garscadden mentioned—which were laid out in the letter to my hon. Friend the Member for Bournemouth, West (Mr. Butterfill), who is now one of the country's most celebrated recipients of unsolicited mail of a highly technical nature. The changes have ensured that the likely costs of the MFR to British industry are those that are shown in the compliance cost assessment published with the Bill. They should also avoid any risk of a substantial shift in UK pension fund assets from equities into gilts.

Our proposals for the MFR incorporate other flexibilities which I want to stress. In the extreme case of a scheme falling below the 90 per cent. level, we have fully accepted the case for secure alternatives—for example, funds held in a safe but separate account, or the provision of ring-fenced unencumbered assets. With the arrangements in place, members would be provided with security, and employers would have flexibility to spread cash contributions over a longer period than one year to restore the fund to the 90 per cent. level.

The Bill also incorporates provision for the regulatory authority to extend the MFR time limits. That is intended to be an exceptional measure, but it does introduce an important safeguard into the arrangements. The exercise of the authority's discretion will be governed by regulations, and we will be consulting on what the regulatory framework should be.

We envisage that an application to extend the MFR time limit could be made by either the trustees or the employer, but in the latter case, the regulatory authority would want to know the trustees' views on the application. As to the circumstances in which an extension might be granted, we envisage that an extension would be appropriate where an unforeseen external event outside the control of the employer or the trustees had resulted in a reduction in the scheme's funding level. We envisage that the Occupational Pensions Regulatory Authority would be more prepared to consider extending the time limit where there was objective evidence of an unusual divergence between gilt and equity yields.

The regulatory authority would need to consider whether the scheme was properly administered with clean accounts, and the extent to which the drop in funding levels had been affected by internal factors such as benefit enhancement or substantial pay rises. It will be possible to ensure that we have good practice, guidance and sound regulation in those areas.

The regulatory authority would need to take into account the probability of the scheme recovering—perhaps on the back of a longer-term funding commitment

from the employer, or, once time had been allowed for the employer to realise assets, to meet pension commitments. The important point that we will need to bear in mind in drawing the relevant regulations is the need to avoid any further deterioration in the security of scheme members. Subject to that, there should be considerable scope for a pragmatic application of this power. That should be reassuring to many companies.

The power would be capable of being exercised in individual cases, but we would envisage it coming into play on a more general basis if there were, for example, extreme movements in equity yields relative to gilts, or a catastrophic stock market fall from which recovery was probable, but not likely to be immediate. In such circumstances, we envisage that the regulations would provide for the regulatory authority to authorise extensions to the time limit for all applicant schemes which met certain basic criteria.

As a final safety valve, the Bill contains a power in clause 60 to modify the application of the MFR clauses in relation to particular schemes or classes of scheme. If evidence emerged that employers sponsoring a particular category scheme were being, or were likely to be, adversely and unnecessarily affected by their MFR, it would be possible to bring about a sensible resolution of the difficulty by using this power. I hope that that gives some reassurance about the MFR.

That should deal with the reasons why people have put forward a central discontinuance fund as an alternative. In response to the new clause and the arguments that have been made for it, I shall state why I believe that the arguments in favour of a central discontinuance fund are highly questionable.

I come first to the issue of administrative costs. Economies of scale will be realised only if a decision were taken to standardise the benefits provided by a central discontinuance fund. That would inevitably disadvantage some individuals, in so far as it would mean changing the nature of the benefits promised. More fundamental to the debate is the assumption that a central discontinuance fund could safely invest in equities. I seriously doubt whether that would be appropriate. A central discontinuance fund would tend to collect the liabilities of pensioner members and deferred members close to retirement. It would become a more and more mature scheme.

The Trades Union Congress has said:

"Schemes that have most of their liabilities in the future can justify a more risky investment strategy than those who are already paying substantial pensions each year."

But the CDF would be in that position. If it is true of an individual pension fund, where the employer stands behind the scheme to make good any deficit, the need for a prudent investment strategy is all the more evident in the case of a central fund.

In order to avoid any risk of members' benefits being reduced in a central fund, individual schemes would need to be funded at a level that would enable them to meet the central discontinuance fund's transfer premium. Those transfer terms would inevitably become a de facto funding standard based on a more prudent investment policy than that used by many on-going schemes.

If that did not happen, and the central fund simply took over whatever assets the transferring scheme happened to hold, without having been funded to meet the transfer terms, either members would take a cut in their benefits or the risk of the central fund running into deficit would be greater.

It is difficult to see how the costs to sponsoring employers could be lower than those attributable to the proposed minimum funding requirement, which serves to underline the fundamental truth, which I set out in Committee, about there being no free lunch. Security has a price. It is not possible to improve security without some costs. Another misconception is that there would be little risk of a discontinuance fund falling into deficit.

As the hon. Member for Garscadden said, there is a disagreement about that. He has quoted Watsons, a firm of actuaries. But other actuaries have come to a quite different conclusion. The Government Actuary took the view that, if a high equity investment strategy were adopted or optimistic rates of return were used in the valuation, the risk of a shortfall could be much greater. We have to consider how manageable even a small deficit would be, given the potential size of a central fund over time.

Although a central fund would provide for risk to be pooled, as I think the hon. Member for Dagenham (Ms Church) said, it would not reduce the aggregate level of risk. It would merely increase the size of any potential deficit. If we set up a CDF, we might find large deficits, and we might find someone taking on an open-ended liability. We know that the CBI does not agree that employers should be liable to meet that deficit. The Government do not believe that it would be a suitable use of taxpayers' money to underwrite such a fund.

The other option would be to reduce members' benefits, but I am sure that none of us would seriously want to advocate that as an option, as it would fail to provide members with the security they would expect from a central fund established under statute. That brings me to the crux of the various proposals for a CDF. The apparent agreement in support of a central fund does not rest on a common understanding of what is intended or any common objective in terms of the degree of protection that it is intended to provide for members, who would consequently shoulder the burden of risk in the event of a shortfall.

The central discontinuance fund is a superficially attractive alternative to the MFR. Some people have been attracted to it because they have seen in it a way of providing security without the increase in costs which, we concede, the MFR is likely to entail for some people and some companies. But a CDF does not succeed in escaping from the basic issue—increased security can come only at some increased cost somewhere in the system.

Therefore, the Government's strongly preferred approach is to ensure that the MFR works—to ensure that the flexibility is built into our arrangements for the MFR, so that it works in the future. I hope that what I have been able to say about the MFR has reassured people about that, and that what I have said about a central discontinuance fund has convinced hon. Members that it would not be the right course to pursue.

Mr. Dewar: The man has a hard heart, and I can see that he has not been prepared to make any concessions since the Committee stage. I am perhaps a cynic, but I must confess that, when Ministers start dealing in fundamental truths, I start looking for the exit—and the Minister was strong on that today.

I do not accept the Minister's argument. I think that there is merit in holding the door open for the possibility of a discontinuance fund system on a contributions basis.

[Mr. Dewar]

I accept that there will be alterations if pension fund assets pass to discontinuance funds. Clearly, they will have to examine the assets and what they are likely to produce in deciding what kind of promises can be delivered. They may not be the same as the original fund, depending on the size of the deficit and the crash.

4.30 pm

Despite what the Minister said about equities and a cautious approach, I still think that this is a better option than simply winding up the scheme, with the immediate short-term losses that may emerge. It is not a matter of trying to produce a miracle cure of absolute security without anyone having to pay more to achieve it. That is not the line of argument that we have tried to deploy in this case. We believe that there will be costs involved with both schemes—there is no doubt about that. However, by moving to contributions and away from a winding-up to a continuing basis, we think that there is a better chance of ensuring increased security as against the present proposals.

That is a matter for argument and debate. The primacy of purpose must be to try to produce a stable scheme that will offer, at affordable cost, the maximum security for those who invested in pension funds. On the advice that I have received, I regret what the Minister has said about not being prepared to entertain further change.

I intend to put the matter to the vote, since I recognise that it will not be settled in the next few minutes by further argument across the Dispatch Box.

Question put, That the clause be read a Second time:—

The House divided: Ayes 230, Noes 271.

Division No. 192] **[4.30 pm**

AYES

Abbott, Ms Diane
Adams, Mrs Irene
Ainger, Nick
Alton, David
Armstrong, Hilary
Ashdown, Rt Hon Paddy
Banks, Tony *(Newham NW)*
Barnes, Harry
Barron, Kevin
Bayley, Hugh
Beckett, Rt Hon Margaret
Beggs, Roy
Bell, Stuart
Benn, Rt Hon Tony
Bennett, Andrew F
Bermingham, Gerald
Blair, Rt Hon Tony
Blunkett, David
Bray, Dr Jeremy
Brown, Gordon *(Dunfermline E)*
Brown, N *(N'c'tle upon Tyne E)*
Burden, Richard
Byers, Stephen
Callaghan, Jim
Campbell, Mrs Anne *(C'bridge)*
Campbell, Ronnie *(Blyth V)*
Campbell-Savours, D N
Cann, Jamie
Chidgey, David
Chisholm, Malcolm
Church, Judith
Clapham, Michael
Clark, Dr David *(South Shields)*
Clarke, Eric *(Midlothian)*
Clarke, Tom *(Monklands W)*
Clelland, David
Clwyd, Mrs Ann
Coffey, Ann
Cohen, Harry
Connarty, Michael
Corbett, Robin
Corbyn, Jeremy
Corston, Jean
Cousins, Jim
Cummings, John
Cunliffe, Lawrence
Cunningham, Jim *(Covy SE)*
Cunningham, Roseanna
Dafis, Cynog
Dalyell, Tam
Darling, Alistair
Davidson, Ian
Davies, Bryan *(Oldham C'tral)*
Davies, Rt Hon Denzil *(Llanelli)*
Davies, Ron *(Caerphilly)*
Davis, Terry *(B'ham, H'dge H'l)*
Denham, John
Dewar, Donald
Dixon, Don
Dobson, Frank
Donohoe, Brian H
Dowd, Jim
Dunnachie, Jimmy
Dunwoody, Mrs Gwyneth
Eagle, Ms Angela
Eastham, Ken
Etherington, Bill
Evans, John *(St Helens N)*
Ewing, Mrs Margaret
Fatchett, Derek
Field, Frank *(Birkenhead)*
Flynn, Paul
Forsythe, Clifford *(S Antrim)*
Foster, Rt Hon Derek
Foster, Don *(Bath)*
Foulkes, George
Fyfe, Maria
Galloway, George
Garrett, John
Gerrard, Neil
Godman, Dr Norman A
Godsiff, Roger
Golding, Mrs Llin
Graham, Thomas
Griffiths, Win *(Bridgend)*
Grocott, Bruce
Gunnell, John
Hain, Peter
Hall, Mike
Harman, Ms Harriet
Harvey, Nick
Hattersley, Rt Hon Roy
Henderson, Doug
Hendron, Dr Joe
Hill, Keith *(Streatham)*
Hinchliffe, David
Hodge, Margaret
Hoey, Kate
Hogg, Norman *(Cumbernauld)*
Home Robertson, John
Hood, Jimmy
Hoon, Geoffrey
Howarth, George *(Knowsley North)*
Howells, Dr. Kim *(Pontypridd)*
Hoyle, Doug
Hughes, Kevin *(Doncaster N)*
Hughes, Robert *(Aberdeen N)*
Hughes, Roy *(Newport E)*
Hughes, Simon *(Southwark)*
Hutton, John
Illsley, Eric
Ingram, Adam
Jackson, Glenda *(H'stead)*
Jackson, Helen *(Sheffld, H)*
Jamieson, David
Janner, Greville
Johnston, Sir Russell
Jones, Barry *(Alyn and D'side)*
Jones, Ieuan Wyn *(Ynys Môn)*
Jones, Jon Owen *(Cardiff C)*
Jones, Martyn *(Clwyd, SW)*
Jones, Nigel *(Cheltenham)*
Jowell, Tessa
Kennedy, Jane *(Lpool Brdgn)*
Khabra, Piara S
Kilfoyle, Peter
Kirkwood, Archy
Lewis, Terry
Liddell, Mrs Helen
Litherland, Robert
Livingstone, Ken
Lloyd, Tony *(Stretford)*
Loyden, Eddie
Lynne, Ms Liz
McAllion, John
McAvoy, Thomas
McCartney, Robert *(N Devon)*
McCrea, The Reverend William
Macdonald, Calum
McFall, John
McKelvey, William
McLeish, Henry
McMaster, Gordon
MacShane, Denis
McWilliam, John
Madden, Max
Mandelson, Peter
Marek, Dr John
Marshall, David *(Shettleston)*
Marshall, Jim *(Leicester, S)*
Martin, Michael J *(Springburn)*
Martlew, Eric
Maxton, John
Meacher, Michael
Meale, Alan
Michie, Bill *(Sheffield Heeley)*
Michie, Mrs Ray *(Argyll & Bute)*
Milburn, Alan
Mitchell, Austin *(Gt Grimsby)*
Morgan, Rhodri
Morris, Rt Hon Alfred *(Wy'nshawe)*
Morris, Estelle *(B'ham Yardley)*
Mudie, George
Mullin, Chris
Murphy, Paul
Oakes, Rt Hon Gordon
O'Brien, Mike *(N W'kshire)*
O'Brien, William *(Normanton)*
Olner, Bill
O'Neill, Martin
Orme, Rt Hon Stanley
Pearson, Ian
Pickthall, Colin
Pike, Peter L
Pope, Greg
Powell, Ray *(Ogmore)*
Prentice, Bridget *(Lew'm E)*
Prentice, Gordon *(Pendle)*
Prescott, Rt Hon John
Primarolo, Dawn
Purchase, Ken
Radice, Giles
Raynsford, Nick
Reid, Dr John
Rendel, David
Robertson, George *(Hamilton)*
Rogers, Allan
Rooker, Jeff
Rooney, Terry
Ross, Ernie *(Dundee W)*
Ross, William *(E Londonderry)*
Ruddock, Joan
Salmond, Alex
Sedgemore, Brian
Sheerman, Barry
Sheldon, Rt Hon Robert
Short, Clare
Simpson, Alan
Skinner, Dennis
Smith, Andrew *(Oxford E)*
Smith, Llew *(Blaenau Gwent)*
Smyth, The Reverend Martin
Snape, Peter
Soley, Clive

Spearing, Nigel
Spellar, John
Squire, Rachel *(Dunfermline W)*
Steel, Rt Hon Sir David
Steinberg, Gerry
Stevenson, George
Straw, Jack
Sutcliffe, Gerry
Taylor, Mrs Ann *(Dewsbury)*
Timms, Stephen
Tipping, Paddy
Touhig, Don
Turner, Dennis
Tyler, Paul
Walker, Rt Hon Sir Harold
Wallace, James
Walley, Joan
Watson, Mike
Welsh, Andrew
Wigley, Dafydd
Williams, Rt Hon Alan *(Sw'n W)*
Williams, Alan W *(Carmarthen)*
Winnick, David
Wise, Audrey
Worthington, Tony
Young, David *(Bolton SE)*

Tellers for the Ayes:
Mr. Robert Ainsworth and Mrs. Barbara Roche.

NOES

Ainsworth, Peter *(East Surrey)*
Aitken, Rt Hon Jonathan
Alexander, Richard
Alison, Rt Hon Michael *(Selby)*
Allason, Rupert *(Torbay)*
Amess, David
Ancram, Michael
Arbuthnot, James
Arnold, Jacques *(Gravesham)*
Arnold, Sir Thomas *(Hazel Grv)*
Ashby, David
Atkins, Rt Hon Robert
Atkinson, David *(Bour'mouth E)*
Atkinson, Peter *(Hexham)*
Baker, Nicholas *(North Dorset)*
Baldry, Tony
Banks, Matthew *(Southport)*
Batiste, Spencer
Bellingham, Henry
Bendall, Vivian
Beresford, Sir Paul
Biffen, Rt Hon John
Body, Sir Richard
Bonsor, Sir Nicholas
Booth, Hartley
Bottomley, Peter *(Eltham)*
Bowis, John
Boyson, Rt Hon Sir Rhodes
Brandreth, Gyles
Brazier, Julian
Bright, Sir Graham
Brown, M *(Brigg & Cl'thorpes)*
Browning, Mrs Angela
Bruce, Ian *(Dorset)*
Budgen, Nicholas
Burns, Simon
Burt, Alistair
Butcher, John
Butler, Peter
Butterfill, John
Carlisle, John *(Luton North)*
Carlisle, Sir Kenneth *(Lincoln)*
Carttiss, Michael
Cash, William
Channon, Rt Hon Paul
Chapman, Sydney
Churchill, Mr
Clappison, James
Clarke, Rt Hon Kenneth *(Ru'cliff)*
Clifton-Brown, Geoffrey
Coe, Sebastian
Colvin, Michael
Conway, Derek
Coombs, Anthony *(Wyre For'st)*
Cope, Rt Hon Sir John
Cormack, Sir Patrick
Couchman, James
Cran, James
Curry, David *(Skipton & Ripon)*
Davies, Quentin *(Stamford)*
Davis, David *(Boothferry)*
Day, Stephen
Deva, Nirj Joseph
Dicks, Terry
Dorrell, Rt Hon Stephen
Douglas-Hamilton, Lord James
Duncan, Alan
Duncan-Smith, Iain
Dunn, Bob
Durant, Sir Anthony
Dykes, Hugh
Eggar, Rt Hon Tim
Elletson, Harold
Evans, David *(Welwyn Hatfield)*
Evans, Jonathan *(Brecon)*
Evans, Nigel *(Ribble Valley)*
Evans, Roger *(Monmouth)*
Evennett, David
Faber, David
Fabricant, Michael
Fenner, Dame Peggy
Field, Barry *(Isle of Wight)*
Fishburn, Dudley
Forman, Nigel
Forsyth, Rt Hon Michael *(Stirling)*
Forth, Eric
Fowler, Rt Hon Sir Norman
Fox, Dr Liam *(Woodspring)*
Freeman, Rt Hon Roger
French, Douglas
Gale, Roger
Gallie, Phil
Gardiner, Sir George
Garel-Jones, Rt Hon Tristan
Garnier, Edward
Gill, Christopher
Gillan, Cheryl
Goodlad, Rt Hon Alastair
Goodson-Wickes, Dr Charles
Gorman, Mrs Teresa
Gorst, Sir John
Grant, Sir A *(SW Cambs)*
Greenway, Harry *(Ealing N)*
Greenway, John *(Ryedale)*
Griffiths, Peter *(Portsmouth, N)*
Gummer, Rt Hon John Selwyn
Hague, William
Hamilton, Rt Hon Sir Archibald
Hamilton, Neil *(Tatton)*
Hampson, Dr Keith
Hanley, Rt Hon Jeremy
Hannam, Sir John
Hargreaves, Andrew
Haselhurst, Sir Alan
Hawksley, Warren
Hayes, Jerry
Heald, Oliver
Heath, Rt Hon Sir Edward
Heathcoat-Amory, David
Hendry, Charles
Hicks, Robert
Higgins, Rt Hon Sir Terence
Hogg, Rt Hon Douglas *(G'tham)*
Horam, John
Hordern, Rt Hon Sir Peter
Howard, Rt Hon Michael
Howarth, Alan *(Strat'rd-on-A)*
Howell, Sir Ralph *(N Norfolk)*
Hughes, Robert G *(Harrow W)*
Hunt, Sir John *(Ravensbourne)*
Hunter, Andrew
Hurd, Rt Hon Douglas
Jack, Michael
Jackson, Robert *(Wantage)*
Jenkin, Bernard
Jessel, Toby
Johnson Smith, Sir Geoffrey
Jones, Gwilym *(Cardiff N)*
Kellett-Bowman, Dame Elaine
Key, Robert
Kirkhope, Timothy
Knapman, Roger
Knight, Mrs Angela *(Erewash)*
Knight, Greg *(Derby N)*
Knight, Dame Jill *(Bir'm E'st'n)*
Knox, Sir David
Kynoch, George *(Kincardine)*
Lait, Mrs Jacqui
Lamont, Rt Hon Norman
Lang, Rt Hon Ian
Lawrence, Sir Ivan
Legg, Barry
Leigh, Edward
Lidington, David
Lightbown, David
Lloyd, Rt Hon Sir Peter *(Fareham)*
Lord, Michael
Luff, Peter
Lyell, Rt Hon Sir Nicholas
MacGregor, Rt Hon John
MacKay, Andrew
Maclean, Rt Hon David
McLoughlin, Patrick
McNair-Wilson, Sir Patrick
Madel, Sir David
Maitland, Lady Olga
Malone, Gerald
Mans, Keith
Marland, Paul
Marlow, Tony
Marshall, John *(Hendon S)*
Martin, David *(Portsmouth S)*
Mates, Michael
Merchant, Piers
Mills, Iain
Mitchell, Andrew *(Gedling)*
Mitchell, Sir David *(NW Hants)*
Moate, Sir Roger
Monro, Sir Hector
Montgomery, Sir Fergus
Moss, Malcolm
Nelson, Anthony
Neubert, Sir Michael
Newton, Rt Hon Tony
Nicholls, Patrick
Nicholson, David *(Taunton)*
Nicholson, Emma *(Devon West)*
Norris, Steve
Onslow, Rt Hon Sir Cranley
Oppenheim, Phillip
Ottaway, Richard
Page, Richard
Paice, James
Patnick, Sir Irvine
Patten, Rt Hon John
Pattie, Rt Hon Sir Geoffrey
Pawsey, James
Pickles, Eric
Porter, Barry *(Wirral S)*
Porter, David *(Waveney)*
Portillo, Rt Hon Michael
Rathbone, Tim
Redwood, Rt Hon John
Richards, Rod
Riddick, Graham
Rifkind, Rt Hon Malcolm
Robathan, Andrew
Roberts, Rt Hon Sir Wyn
Robertson, Raymond *(Ab'd'n S)*
Robinson, Mark *(Somerton)*
Roe, Mrs Marion *(Broxbourne)*
Rowe, Andrew *(Mid Kent)*
Rumbold, Rt Hon Dame Angela
Ryder, Rt Hon Richard
Sackville, Tom
Sainsbury, Rt Hon Sir Timothy
Shaw, David *(Dover)*
Shaw, Sir Giles *(Pudsey)*
Shephard, Rt Hon Gillian
Shepherd, Colin *(Hereford)*
Shepherd, Richard *(Aldridge)*
Shersby, Sir Michael
Sims, Roger
Smith, Tim *(Beaconsfield)*
Soames, Nicholas
Spencer, Sir Derek
Spicer, Sir James *(W Dorset)*
Spicer, Michael *(S Worcs)*
Spink, Dr Robert
Spring, Richard
Squire, Robin *(Hornchurch)*
Steen, Anthony
Stephen, Michael
Stern, Michael
Stewart, Allan
Streeter, Gary
Sumberg, David
Sweeney, Walter
Sykes, John
Tapsell, Sir Peter
Taylor, Ian *(Esher)*
Taylor, John M *(Solihull)*
Taylor, Sir Teddy *(Southend, E)*
Temple-Morris, Peter
Thomason, Roy
Thompson, Sir Donald *(C'er V)*
Thompson, Patrick *(Norwich N)*
Townend, John *(Bridlington)*
Townsend, Cyril D *(Bexl'yh'th)*
Tredinnick, David
Trend, Michael
Trotter, Neville
Twinn, Dr Ian
Waldegrave, Rt Hon William
Walker, Bill *(N Tayside)*
Waller, Gary
Wardle, Charles *(Bexhill)*
Waterson, Nigel
Watts, John
Wells, Bowen
Whitney, Ray
Whittingdale, John
Widdecombe, Ann
Wiggin, Sir Jerry

Wilkinson, John	Yeo, Tim
Willetts, David	Young, Rt Hon Sir George
Wilshire, David	
Winterton, Mrs Ann *(Congleton)*	**Tellers for the Noes:**
Winterton, Nicholas *(Macc'fld)*	**Mr. Michael Bates and**
Wolfson, Mark	**Mr. Timothy Wood.**

Question accordingly negatived.

New clause 23

PENSIONS ON DIVORCE, ETC.: SCOTLAND

'.—(1) In section 8(1) (orders for financial provision) of the Family Law (Scotland) Act 1985 ("the 1985 Act"), after paragraph (b) there is inserted—

"(ba) an order under section 12A(2) or (3) of this Act;".

(2) In section 10 of the 1985 Act (sharing of value of matrimonial property)—

(a) in subsection (5)—

(i) after "party" there is inserted "(a)"; and

(ii) for "or occupational pension scheme or similar arrangement" there is substituted—

"or similar arrangement; and

(b) in any benefits under a pension scheme which either party has or may have (including such benefits payable in respect of the death of either party),

which is"; and

(b) after subsection (7) there is inserted—

"(8) The Secretary of State may by regulations make provision—

(a) for the value of any benefits under a pension scheme to be calculated and verified, for the purposes of this Act, in a prescribed manner;

(b) for the trustees or managers of any pension scheme to provide, for the purposes of this Act, information as to that value, and for the recovery of the administrative expenses of providing such information from either party,

and regulations made by virtue of paragraph (a) above may provide for that value to be calculated and verified in accordance with guidance which is prepared and from time to time revised by a prescribed body and approved by the Secretary of State.

(9) Regulations under subsection (8) above shall be made by statutory instrument which shall be subject to annulment in pursuance of a resolution of either House of Parliament.

(10) In this section—

"benefits under a pension scheme" includes any benefits by way of pension, whether under a pension scheme or not;

"pension scheme" means—

(a) an occupational pension scheme or a personal pension scheme (applying the definitions in section 1 of the Pension Schemes Act 1993, but as if the reference to employed earners in the definition of "personal pension scheme" were to any earners);

(b) a retirement annuity contract; or

(c) an annuity, or insurance policy, purchased or transferred for the purpose of giving effect to rights under a pension scheme falling within paragraph (a) above; and

"prescribed" means prescribed by regulations.

(11) In this section, references to the trustees or managers of a pension scheme—

(a) in relation to a contract or annuity referred to in paragraph (b) or (c) of the definition of "pension scheme" in subsection (10) above, shall be read as references to the provider of the annuity;

(b) in relation to an insurance policy referred to in paragraph (c) of that definition, shall be read as a reference to the insurer.".

(3) After section 12 of the 1985 Act there is inserted—

"Orders for payment of capital sum: pensions lump sums

12A.—(1) This section applies where the court makes an order under section 8(2) of this Act for payment of a capital sum (a "capital sum order") by a party to the marriage ("the liable party") in circumstances where—

(a) the matrimonial property within the meaning of section 10 of this Act includes any rights or interests in benefits under a pension scheme which the liable party has or may have (whether such benefits are payable to him or in respect of his death); and

(b) those benefits include a lump sum payable to him or in respect of his death.

(2) Where the benefits referred to in subsection (1) above include a lump sum payable to the liable party, the court, on making the capital sum order, may make an order requiring the trustees or managers of the pension scheme in question to pay the whole or part of that sum, when it becomes due, to the other party to the marriage ("the other party").

(3) Where the benefits referred to in subsection (1) above include a lump sum payable in respect of the death of the liable party, the court, on making the capital sum order, may make an order—

(a) if the trustees or managers of the pension scheme in question have power to determine the person to whom the sum, or any part of it, is to be paid, requiring them to pay the whole or part of that sum, when it becomes due, to the other party;

(b) if the liable party has power to nominate the person to whom the sum, or any part of it, is to be paid, requiring the liable party to nominate the other party in respect of the whole or part of that sum;

(c) in any other case, requiring the trustees or managers of the pension scheme in question to pay the whole or part of that sum, when it becomes due, to the other party instead of to the person to whom, apart from the order, it would be paid.

(4) Any payment by the trustees or managers under an order under subsection (2) or (3) above—

(a) shall discharge so much of the trustees' or managers' liability to or in respect of the liable party as corresponds to the amount of the payment; and

(b) shall be treated for all purposes as a payment made by the liable party in or towards the discharge of his liability under the capital sum order.

(5) Where the liability of the liable party under the capital sum order has been discharged in whole or in part, other than by a payment by the trustees or managers under an order under subsection (2) or (3) above, the court may, on an application by the any person having an interest, recall any order under either of those subsections or vary the amount specified in such an order, as appears to the court appropriate in the circumstances.

(6) Where—

(a) an order under subsection (2) or (3) above imposes any requirement on the trustees or managers of a pension scheme ("the first scheme") and the liable party acquires transfer credits under another scheme ("the new scheme") which are derived (directly or indirectly) from a transfer from the first scheme of all his accrued rights under that scheme; and

(b) the trustees or managers of the new scheme have been given notice in accordance with regulations under subsection (8) below,

the order shall have effect as if it had been made instead in respect of the trustees or managers of the new scheme; and in this subsection "transfer credits" has the same meaning as in the Pension Schemes Act 1993.

(7) Without prejudice to subsection (6) above, the court may, on an application by any person having an interest, vary an order under subsection (2) or (3) above by substituting for the trustees or managers specified in the order the trustees or managers of any other pension scheme under which any lump sum referred to in subsection (1) above is payable to the liable party or in respect of his death.

(8) The Secretary of State may by regulations—

(a) require notices to be given in respect of changes of circumstances relevant to orders under subsection (2) or (3) above;

(b) make provision for the recovery of the administrative expenses of complying with such orders from the liable party or the other party.

(9) Regulations under subsection (8) above shall be made by statutory instrument which shall be subject to annulment in pursuance of a resolution of either House of Parliament.

(10) Subsection (10) (other than the definition of "benefits under a pension scheme") and subsection (11) of section 10 of this Act shall apply for the purposes of this section as those subsections apply for the purposes of that section.".

(4) Nothing in the provisions mentioned in section 164(5) above applies to a court exercising its powers under section 8 (orders for financial provision on divorce, etc.) or 12A (orders for payment of capital sum: pensions lump sums) of the 1985 Act in respect of any benefits under a pension scheme which fall within subsection (5)(b) of section 10 of that Act ("pension scheme" having the meaning given in subsection (10) of that section).'.—*[Mr. Arbuthnot.]*

Brought up, and read the First time.

Mr. Arbuthnot: I beg to move, That the clause be read a Second time.

Mr. Deputy Speaker (Mr. Michael Morris): With this, it will be convenient to discuss the following: New clause 1—*Pensions on divorce, etc.*—

'In the Matrimonial Causes Act 1973, after section 24A there is inserted—

"Pensions

24B—(1) On granting a decree of divorce, a decree of nullity of marriage or a decree of judicial separation or at any time thereafter (whether, in the case of a decree of divorce or of nullity of marriage, before or after the decree is made absolute), the court may make a pensions adjustment order (referred to in this section as "an order") for the benefit of a party to the marriage.

(2) An order shall where the court so determines bind a person who is not a party to the marriage but who is liable to pay any benefit under a pension scheme to a party to the marriage or any successor to such a person.

(3) An order is an order adjusting the rights and benefits to which either party to the marriage is or may become entitled to under any pension scheme and in particular the court may by such an order require—

(a) either party to the marriage to pay to the other such lump sum or sums as may be specified in the order (without prejudice to any other order which may be made under section 23(1) or (3)); or

(b) the administrator of a pension scheme to treat the party to the marriage in favour of whom the order is to be made as a member of the pension scheme in relation to such benefits as may be specified in the order which were acquired by the other party to the marriage before the decree of divorce or nullity was made absolute or before the decree of judicial separation, or

(c) the administrator of a pension scheme to make such payment or payments as may be specified in the order into such other pension schemes as may be nominated by the party to the marriage in favour of whom the order is made, or

(d) the administrator of a pension scheme to pay such part of any pension as may be specified in the order to the party in favour of whom the order is made for such term as may be specified not extending beyond the death of either party to the marriage, or

(e) the administrator of a pension scheme to pay such part of any dependant's pension as may be specified in the order to the party in favour of whom the order is made for such term as may be specified beginning with the death of the other party to the marriage and not extending beyond the death of the party in whose favour the order is made, or

(f) either party to the marriage to pay such administrative costs incurred by the administrator of the pension scheme in responding to any application for an order or in implementing an order.

(4) An order shall not be made—

(a) under subsection (3)(b) above unless the administrator of the pension scheme consents to membership of the pension scheme for the party to the marriage who is not already a member of the pension scheme, or

(b) under subsection (3)(c) above unless the court is satisfied that the administrator of the pension scheme nominated by the party in whose favour the order may be made has agreed to accept such payment or payments, and in the event of the administrator being unwilling to accept such payment or payments he may be required to notify the parties to the marriage and the court.

(5) It shall be the duty of the court in deciding whether to exercise its powers under this section and, if so, in what manner to have regard in particular to—

(a) the matters referred to in section 25 save for the words "in the foreseeable future" in section 25(2)(a), (b) and (f), and

(b) the effect that child care or other domestic responsibilities have had or will have on the ability of each of the parties to the marriage to make provision for his retirement, and

(c) any administrative complexity or cost to the administrator of the pension scheme.

(6) The Secretary of State in agreement with the Lord Chancellor shall by regulations provide for the date and method of valuation to be applied by the court to rights under a pension scheme when making an order and to provide for notice of any application for an order to be given to the administrator of the pension scheme.

(7) The Secretary of State may by regulations make such provision as may be appropriate to meet the special circumstances of unfunded public sector schemes by varying or excluding the powers of the court under this section.

(8) Nothing in the provisions mentioned in subsection (9) below applies to a court exercising its powers under this section.

(9) The provisions referred to in subsection (8) are—

(a) section 203(1) and (2) of the Army Act 1955, section 203(1) and (2) of the Air Force Act 1955, section 128G(1) and (2) of the Naval Discipline Act 1957 or section 159(4) of the Pension Schemes Act 1993 (which prevent assignment or orders being made restraining a person from receiving anything which he is prevented from assigning);

(b) section 84 of the Pensions Act 1995;

(c) any provision for any enactment corresponding to any of the enactments mentioned in paragraphs (a) and (b); and

(d) any provision of the pension scheme in question.

(10) the making of an order shall in no circumstances form the basis of any decision made by the Commissioners of Inland Revenue to remove the exempt approved status or to alter the tax status of a pension scheme provided that—

[Mr. Michael Morris]

(a) the party to the marriage in whose favour an order has been made shall be treated for the purpose of retention of benefits as the member; and

(b) the maximum benefits payable to and in respect of the party to the marriage whose rights have been varied by the order shall be limited to the benefits that would have been payable if the order had not been made.

(11) No order or orders shall be made which shall have the effect of increasing the liabilities of any pension scheme beyond those which might have been incurred had the parties to the marriage remained married until the death of the party against whom the order is to be made.

(12) After paragraphs (2)(f) of section 31 there shall be inserted:

"(g) any order made under section 24B(3)(d) or (e) above"

(13) After subparagraph (ii) in section 35(2) there shall be inserted:

"or (iii) by adjusting the rights and benefits to which either party to the marriage is or may become entitled under any pension scheme."

(14) Nothing in this section shall affect any proceedings commenced before the commencement of this section.

(15) In this section—

"administrator" means the trustees of an occupational pension scheme or the administrators or managers of such a scheme in the absence of trustees or the administrators or managers of a personal pension plan;

"member" means a member of an occupational pension scheme or a person having a personal pension plan or retirement benefit plan or other similar arrangement; and

"pension scheme" means an occupational pension scheme or personal pension scheme or retirement benefit plan or other similar arrangement.'.

New clause 2—*Pensions on divorce, etc (Life Assurance)*—

'In the Matrimonial Causes Act 1973, after section 24B there is inserted:

"Life Assurance

24C—(1) On granting a decree of divorce, a decree of nullity of marriage or a decree of judicial separation or at any time thereafter (whether, in the case of a decree of divorce or of nullity of marriage, before or after the decree is made absolute), the court may make an order requiring either party to the marriage—

(a) to nominate the other party to the marriage or a child of the family for such benefits under a pension scheme as may be specified in the order,

(b) to effect such policy or policies of life assurance for the benefit of the other party to the marriage or of a child of the family as may be specified in the order,

(c) to nominate the other party to the marriage or a child of the family as a beneficiary under any existing policy or policies of life assurance as may be specified in the order, and

(d) to make such contributions to a pension scheme and pay such premiums in respect of a policy of life assurance for such term as may be specified in the order.

(2) Any order made under subsection (1) above may contain such directions for the compliance with any conditions for the implementation and maintenance of such life assurance (including medical examination) as the court thinks fit.

(3) It shall be the duty of the court in deciding whether to exercise its powers under this section and, if so, in what manner to have regard in particular to the matters referred to in section 24B(5).

(4) After paragraph (2)(g) of section 31, there shall be inserted:

"(h) any order made under section 24C above."

(5) Nothing in this section shall affect any proceedings commenced before the commencement of this section.

(6) In this section "pension scheme" shall have the meaning referred to in section 24B(15) of this Act.".'.

New clause 15—*Pension provision on death of person not providing for spouse*—

'There shall be inserted in section 2 of the Inheritance (Provision for Family and Dependants) Act 1975 (Power of court to make orders) a new paragraph—

"(g) an order in respect of any pension rights of the deceased.".'.

Amendment No. 2, in clause 164, page 121, leave out from beginning of line 25 to end of line 26 on page 124.

Amendment No. 6, in clause 164, page 121, line 26, after '1973', insert

'in section 25 there is inserted after subsection (1)—

"(1A) Where a court is satisfied that it has not had regard to any pension in deciding whether to exercise its powers under sections 23, 24 or 24A above, it shall have power to vary any order which it has made to take account of that pension".

(1A) In that Act,'.

Government amendments Nos. 69 to 72.

Amendment No. 3, in clause 164, page 122, line 15, after 'question', insert

'(a) to ensure that the other party is informed of the extent of those rights, and (b)'.

Government amendments Nos. 73 to 81.

Amendment No. 4, in clause 176, page 129, line 26, leave out '165' and insert '164'.

Amendment No. 5, in clause 176, page 129, leave out lines 29 to 31.

Mr. Arbuthnot: As the hon. Member for Glasgow, Garscadden (Mr. Dewar) predicted in Committee, we are once again discussing the difficult topic of pensions on divorce.

I shall deal with the new clauses and amendments in some detail. New clause 1 is intended to provide a comprehensive pension splitting system. It would give the courts power to divide pension rights between divorcing spouses. Groups lobbying on behalf of ex-wives have suggested that divorce settlements could be made more equitable if courts could give them a share of their husband's pension. We must remember, however, that whatever provisions the courts are required to apply must be gender-neutral. As we know, the issue raises important and wide-ranging arguments, some of which we rehearsed in Committee. It was apparent from our thoughtful debate in Committee that there are no simple solutions in dealing with any of these issues. As I said in Committee, any solution must take into account more fundamental issues than merely producing a piece of legislation that gives some additional powers to the court. The three issues involved are cost, complexity and equity.

I do not want to repeat on the Floor of the House all that I said in Committee. I shall summarise my remarks instead. The costs of the new clause would arise in two ways. First, there would be tax losses, which in the long term would amount to £200 million a year. Secondly, account must be taken of unfunded public sector schemes. On prudent assumptions, that extra cost would start at up to £500 million per annum. The complexity issue arises from the treatment of the state earnings-related pension

scheme, the guaranteed minimum pension and home responsibilities protection. The Opposition new clauses and amendments ignore that complexity. Finally, inequity results from giving to the divorced a tax advantage that is not available to the married.

4.45 pm

I am firmly of the view that pension splitting is not easy to effect and implement. I am supported in that view by Lord Nicholls of Birkenhead in last Thursday's ruling on Brooks *v.* Brooks. He observed:

"The problem does not admit of one simple solution."

In his final paragraph, he said:

"This decision should not be seen as a solution to the overall pensions problem. Not every pension scheme constitutes a marriage settlement. And even when a scheme does fall within the court's jurisdiction to vary a marriage settlement, it would not be right for the court to vary one scheme member's rights to the prejudice of other scheme members. Directing a variation which does not meet with Inland Revenue approval would normally be prejudicial to the rights of the other scheme members. A feature of the instant case is that there is only one scheme member and, moreover, the wife has earnings of her own from the same employer which will sustain provision of an immediate pension for her. If the court is to be able to split pension rights on divorce in the more usual case of a multi-member scheme where the wife has no earnings of her own from the same employer, or to direct the taking out of life insurance, legislation will still be needed."

Lord Nicholls has acknowledged the complexity that could arise from the diversity and complexity of pension provision and systems. From our discussion in Committee, it seems that the outcome of the case of Brooks *v.* Brooks does not go as far as Opposition Members might have wished.

Any so-called solution to effecting pension splitting must clearly be one that neither imposes an unacceptable additional burden on schemes nor leads to additional state scheme expenditure. But it is recognised that to include the state scheme, especially SERPS and its private pension equivalent, the guaranteed minimum pension, will add a specific layer of complexity. Pensions experts have already acknowledged that.

The amendments tabled by the Opposition appear to include the state scheme in their scope. Surprisingly, they also include the state basic pension scheme, which already has a precise and generous system for dealing with divorce. It allows a divorced wife to substitute her ex-husband's national insurance contribution record for her own.

The state scheme is another type of unfunded scheme. There is no pool of assets available to split or to transfer out. Payments of pension are met by current national insurance contributors, who in most instances are also the taxpayers who would be asked to fund the cost effects that I mentioned. Those are the cost effects of unfunded pension schemes and tax losses.

It would be difficult to put an accurate value on SERPS rights before they are due to come into payment. Enhancements to SERPS through home responsibilities protection and the family credit/disability working allowance measure contained in the Bill can properly be factored in only at the end of the working life. There is no concept of an early leaver from the state scheme, so there is no method of valuing on a cash-equivalent basis.

In addition, however, despite the new contracting out measures in the Bill, SERPS entitlement will continue to be calculated net of any guaranteed minimum pension for several decades to come. SERPS is calculated in the following way. It is rather complicated and at one stage I asked the Committee to hang on tight; I now ask the House to do the same.

First, a person's gross state earnings-related pension scheme is considered, regardless of whether he is contracted in or out. Secondly, any guaranteed minimum pension that he has accrued is taken into account. The guaranteed minimum pension is subtracted from his gross state earnings-related pension scheme to achieve his net state earnings-related pension scheme entitlement. I am not surprised that the hon. Member for Garscadden finds it amusing.

If a person's occupational pension scheme were split, a smaller guaranteed pension would be deducted from his gross state earnings-related pension scheme entitlement, so SERPS would pick up the tab. That is why we would need to ensure that any splitting of a scheme member's pension did not result in an artificial boost to his net SERPS entitlement. That would mean costs once again falling on the general taxpayer.

I accept that excluding SERPS and guaranteed minimum pensions, as some have suggested, could have problems of its own. It would mean that, for many years to come, only ex-spouses whose former partners had built up substantial private pensions would stand to gain. Those whose former partners had only a SERPS entitlement or private pension equivalent would effectively be excluded from the change and we do not believe that that would be fair.

I have touched on some questions of equity between married and divorced couples, between members of different schemes and their ex-spouses, and between divorcing couples and current taxpayers and national insurance contributors. Those matters of fairness have important implications that cannot be pushed aside, even by the courts, especially when increasing numbers of women are building up pension rights of their own.

It has been claimed by the Family Law Committee that pension splitting is widely supported. There is considerable support for the idea, but it needs to be closely examined before the House can accept it. New clause 1, which I understand will be spoken to by the hon. Member for Garscadden, does not deal with the fundamental issues that I outlined. In view of the fact that I set out the problems in Committee, perhaps at greater length, I am surprised that Opposition Members are asking the House to accept the new clause. We are not even clear about the nature and extent of the problems that courts face when dealing with pensions in divorce settlements. That is why we commissioned the research to which we referred in the White Paper published last summer. As far as I am aware, that research is the largest ever survey of the facts behind the problem.

I shall now repeat something that I said in Committee, which was more important than Opposition Members may have realised at the time, so I shall say it more slowly:

"We recognise that some people would prefer a different, pension-splitting, approach to the treatment of pensions on divorce. However, our amendments will enable the courts to reinforce and build on their existing powers; they represent a much improved framework to enable the courts to take proper account of pension rights in divorce settlements.

[Mr. Arbuthnot]

We shall review the treatment of pension rights on divorce in the light of the outcome of the research project that my Department commissioned to gauge the nature and extent of the problem."—[*Official Report, Standing Committee D*, 22 June 1995; c. 813-14.]

Mr. Archy Kirkwood (Roxburgh and Berwickshire): I had the misfortune not to serve on the Standing Committee. Is the Minister saying to those of us who were not on the Committee that the Government made a commitment to legislate further if they believed that the results of the research merited it? Is that the case?

Mr. Arbuthnot: The misfortune was ours rather than the hon. Gentleman's. The commitment is in precisely the terms that I have just stated, and the hon. Gentleman would not expect to tempt me further.

New clause 2 would give courts the power to require either party to the marriage to order a spouse to take out life assurance for the benefit of the other or for a child. It would also allow the courts to require one party to nominate the other or to nominate a child for any benefits due to him under a pension scheme.

In my view, it would be unrealistic to require the court to require someone to take out life assurance. In some circumstances, such insurance would be prohibitively expensive, it might be refused or it might be terminated. In any case, nominations for scheme benefits would be subject to their availability under scheme rules.

Mr. Dewar: Mortgage interest.

Mr. Arbuthnot: The hon. Gentleman says, sotto voce, "Mortgage interest." The two varieties of insurance are not analogous, as he well knows. In some cases, it is already possible for scheme members to make nominations for scheme benefits.

I cannot see any genuine merit in new clause 2. As I said in Committee, it is clear from anecdotal evidence that pension rights are not always put before the courts for consideration in divorce settlements. That is why we accepted the intentions of amendments tabled in another place by my noble Friend Baroness Young, to whom I paid tribute in Committee, and I repeat those tributes here. She persuaded us that pension rights were not always taken into account and her amendment, which was successful, will have a dramatic and important effect for women going through divorce from now on.

We also accepted the intention of the amendment tabled by Baroness Hollis, to the effect that orders should have the power to bind the pension scheme as well as the ex-husband. That will have the benefit of not forcing ex-wives to drag their husbands through the courts in order to enforce the orders.

We tabled our amendments in Committee to improve on the amendments that were accepted in another place. The fact that pensions on divorce have now been debated at some length should increase the awareness of all parties of the number of settlements in which pensions feature, but our amendments will highlight the duty on the courts to take those pensions into account.

With regard to amendment No. 2, I am a little disappointed that Opposition Members are now asking the House to rescind the amendments to which I have just referred and which were agreed and improved in Committee. Opposition Members seem now to reject what I thought amounted almost to a consensus that those amendments were desirable, generally acceptable and potentially useful. In the light of our wide-ranging debate in Committee, I undertook to consider concerns that were raised, and that is why we are introducing today further amendments to deal with those undertakings.

I now refer to Government amendments Nos. 69 to 81. One concern is the limitation that the Matrimonial Causes Act 1973 puts on the time scale to which the courts have regard. In Committee I referred to the use of the term "foreseeable future". I understand that in some cases that can be, and has been, construed as referring to a period of up to 10 years. I agree that such a construction seems to put an undue restriction on the courts when they consider pensions, which are built up over a whole working lifetime—and I see that Opposition Members, too, have attempted to deal with that difficulty in their amendments. Our amendments Nos. 69 to 71 and 80 remove the restriction, and I hope that the House will welcome that.

5 pm

Another concern, which I well understand, is that an ex-wife could lose access to any payments from her ex-husband's scheme if he died. I explained in Committee that in some circumstances the court may be able to make some provision under the Inheritance (Provisions of Family and Dependants) Act 1975 for the ex-wife, but said that I was prepared to consider the argument further. I have done so. I therefore ask the House to agree to a further amendment that would give the ex-wife access, if the court deemed appropriate, to such share of any lump sum payments from the pension scheme as she may have had access to if the couple had not divorced.

There was also some concern about the effectiveness of the amendments when pension rights were transferred from one scheme to another. Amendment No. 73 allows that where a court order is in force requiring scheme trustees or managers to make payments to an ex-spouse on a scheme member's behalf, that requirement transfers automatically to the new scheme if all pension rights are transferred. If, however, only a part of the rights is transferred, any of the parties will be able to seek further direction from the court.

My right hon. Friend the Secretary of State for Scotland has suggested amendments to bring in analogous provisions for Scotland so far as is practicable, given the very different nature of the legislative regimes and procedures. The hon. Member for Garscadden said that he hesitated to dip his toe into English law. Well, I hesitate to dip mine into Scottish law, but it seems to be my duty to do that today.

Since Committee stage, my right hon. Friend has taken the opportunity to consider what amendments to the law of Scotland might be required. Of course, Scotland is a separate jurisdiction, and it is not possible to lift wholesale provisions designed for one jurisdiction into the law of another. As divorce law in Scotland is different from that in England and Wales, it has not been possible for the Government amendments for Scotland to mirror in all aspects those for England and Wales.

One purpose of new clause 23 was to clarify the law under section 10(5) of the Family Law (Scotland) Act 1985. That section sets out the principle to which the court is to have regard in determining a fair division of matrimonial property on divorce. In particular, it provides that the pension rights of a party to the marriage are to

form part of a matrimonial property. However, the definition of pension rights has left some room for interpretation by the courts. One of the thrusts of the Scottish amendments is therefore to clarify what pension rights the courts are to take into account.

Secondly, the amendments provide for the Secretary of State for Scotland to make regulations for Scotland, as are made for England and Wales, covering how pension rights are to be valued. As the hon. Member for Garscadden pointed out in Committee, Scottish courts have reached inconsistent decisions on that matter, the majority favouring the continuing-service basis of valuation. Under the enabling power, the Secretary of State for Scotland will be able to make regulations to introduce consistency in the courts' practice.

The Scottish amendments also make provision for empowering the courts to make orders of various sorts where a party's pension benefits include or may include a lump sum. In particular, where the court orders one party to pay an immediate or deferred capital sum to the other party, it will be able to provide the other party with some security, by making an order binding the trustees or managers of the pension scheme to pay that sum to the other party direct when the pension comes into payment.

The court could order the party to nominate the other party for all or part of any benefit payable on death, and order the pension managers or trustees to exercise any discretion that they had in respect of a pension guarantee so as to benefit the other party. Finally, the court could order the pension scheme managers or trustees to pay any benefit accruing on the death of a member to the other party, overriding the normal rules regarding who is entitled to receive such a benefit.

I believe that the measures that we are introducing for Scotland will pave the way for a significant improvement in the consistency with which the courts approach pension rights. They will also align the law of Scotland on pensions to a significant extent with that of England and Wales.

Another serious concern was raised by Opposition Members in Committee. They seemed anxious to ensure that any amendments did not have retrospective effect. I shared that anxiety then, and I share it now. It has been our clear intention from the outset to avoid such retrospection. However, amendment Nos. 6 and 3, tabled by the hon. Member for Leyton (Mr. Cohen), suggest that he has no such qualms. Amendment No. 6, which would amend the Matrimonial Causes Act 1973, would enable courts to revisit all existing financial settlements to take account of any pension not previously considered. That would have the adverse retrospective effect that the Committee was anxious to avoid.

The hon. Gentleman also appears to have no strong qualms about imposing costs on schemes, or about imposing on trustees and scheme managers extra unnecessary obligations that would give an ex-spouse the right to more information from a scheme than is available to a spouse. I suggest that that would be unfair.

The hon. Gentleman also tabled amendment Nos. 4 and 5—far-reaching amendments which, for reasons that I explained, would be unworkable in practice. He would like pension splitting to operate from the date of Royal Assent. However, pension schemes would have no idea of what they were supposed to do, or of how to value the rights of pension scheme members. So I hope that the House will not accept those amendments.

I shall now talk about new clause 15. Hon. Members who have followed the Bill through all its stages will know how complex pensions issues are. Adding the hugely variable personal circumstances of divorcing couples must add to those complexities. The Opposition amendments do nothing to address that problem or the other key issues that I have outlined—cost to the taxpayer and fairness. It is not sensible to attempt to devise solutions, especially legislative solutions, when the nature and extent of the problems have not yet been identified.

New clause 15 does not appear to be directly related to the previous amendments. It seeks primarily to ensure a fair allocation of death benefits that may be payable by occupational pension schemes. I do not think it necessary or appropriate to legislate in that way. Employers set up occupational schemes voluntarily, and they are free to decide what scheme benefits will be payable and what, if any, conditions should surround their payment. That includes benefits payable on the death of a member, subject to the relevant rules on tax approval and, if appropriate, on contracting out of the state earnings-related pension scheme.

Perhaps I should clarify that. There are two main forms of death benefit—a survivor's pension and a lump sum payment. Under Inland Revenue rules, a survivor's pension can be paid only to a widow, a widower or someone else financially dependent on the member. Currently, the trustees of a scheme can decide, within their discretion, whether a person is financially dependent, but they must act in accordance with the scheme's trust deed and rules.

The rules surrounding the payment of the lump sum death benefit are more flexible. It can be paid to a nominated beneficiary or to a member's legal or personal representative, or it can be distributed at the discretion of the scheme's trustees. Payment does not have to be limited to someone who was financially dependent on the member, and the trustees can decide to divide up the lump sum among several people.

Finally, I repeat that it is a complicated matter. The Opposition amendments do not begin to deal with the complexities. Instead, they incur for the taxpayer significant costs while operating in a way that we consider unfair. I urge the House to accept instead the amendments which have been adopted by the other place, and which we have improved, as well as the analogous amendments for Scotland that we are now introducing.

Mr. Dewar: I thank the Minister for what, by his standards, was quite a sharp trot over a time trial. I was quite impressed; it was all good dense stuff, which I am sure was the intention.

I start by dealing briefly with the Scottish aspects of the new clause. The Minister is quite right that Scottish law has been in a state of some flux. In a sense, we started with a lead over our colleagues south of the border in terms of good intentions, but case law is confused. I do not object in principle to the idea that some attempt should be made to ensure shape and discipline.

I am sure that the Minister accepts that this is a complicated area and that there has been only a short period between the end of Committee and Report. I telephoned the Law Society of Scotland to ask whether it had any comments. Its brief message was that it was not consulted and that it does not know much about it. I hope that the Scottish Office has got it right, because there does

[Mr. Dewar]

not seem to have been any real contact—at least not according to the information that has been given to me, and, obviously, I am acting here as a go-between.

I may say, as a taster of the debate to come in the next few minutes, that the person who spoke to my office added gratuitously, but pithily, that earmarking is a very poor second best. The problem is being swept under the carpet. In Drumsheuch gardens—that will puzzle the *Hansard* reporters—there is not a unanimity of purpose with the Minister on this matter.

I now come to the main argument, and I make no apologies for revisiting an old friend in this debate: whether we go beyond earmarking into splitting. The Minister was dismissive of new clause 1, with which, I am not ashamed to admit, we got help. Indeed, it is largely—I hope that it will not mind being identified in this way—the work of the English Law Society. I was rather surprised that the Minister was quite so scathing, in his own gentle way, of its efforts. The new clause is an attempt to put into reasonable parliamentary form an important argument, with which I shall now deal.

A great deal of work has been done. The House will remember that in May 1993 the Pensions Management Institute report was published with the Government's blessing. It produced one general proposition and a number of proposals on how that proposition could be implemented. It argued that pension rights that have accrued during a marriage should be treated as assets at the point of divorce when financial settlements were being considered. It considered a number of possibilities, one of which is that, having valued those rights, payment should be made out of other assets of the marriage—the option that most of us would certainly favour—if it is possible to do so. In many cases, however, pension rights may be the most valuable asset of the marriage, and it would not be possible to take that course.

The Government seem to have settled for earmarking, a shorthand term that I shall not try to explain at length. Basically, it means that the court, at the time of divorce, should instruct that when the pension is in payment to the husband—for the sake of convenience, I shall assume that the husband holds the pension entitlement—a portion of it should go to the wife. It is a form of deferred maintenance that may not come into play for 10 or 20 years, depending on the point at which the divorce took place in the life cycle.

There are then two variations of splitting, which is the assumption that the courts, having valued the pension rights that are to go to the ex-wife to be, should then split the pension fund. It should be retained by the wife, who becomes a member of the same scheme and in fact becomes a deferred member within it, or there should be a splitting of the fund and a transfer to another pension provider picked by the wife. I have expressed strong support for splitting as an option, and shall return later to the reasons for doing so.

I do not want to spend a lot of time on history, but it is a little cruel of the Minister to talk about people trying to legislate for splitting when they do not even understand the problem. The Government have made up their minds about earmarking, and I would have thought that precisely the same problems and difficulties attend that.

5.15 pm

I suppose, to be fair to the Minister, that the Government have been cautious. It might even be said that I have been driven to take action. At various points we were told—I shall not rehearse the references—that further research was required and that nothing could happen until that was to hand. In fact, on 20 February, when the Under-Secretary was explaining that to us in the Chamber, Lord Mackay of Clashfern was scrambling for cover down the Corridor, announcing that there was to be a major movement without waiting for any further research. I presume that the Government thought that that was defensible and workable.

The result, of course, has been changes to the Matrimonial Causes Act 1973. There was a particularly dense—perhaps opaque is a better word—passage in Committee, when the Minister attempted to explain precisely the impact of this change in terms of whether the courts had to take it into account but could ignore having done so, or whether they had to do a split and recognise the value of the pension entitlement in the final decision. He said that he thought that there was general acceptance that the result of these changes will be to place greater emphasis on the duty of the courts. That will mean that the valuation of the pension fund will become much more important.

I am slightly puzzled by this, as it is a little disingenuous, but when the Secretary of State wrote to me on 1 May, he said

"we gave our full support to an amendment to the Matrimonial Causes Act 1973 to place greater emphasis on the duty of the courts to take account of pension rights in divorce settlements."

He continued:

"Lord Mackay did not, in fact, propose a system of 'earmarking'."

I do not know whether this is playing with words, but the Government have acceded to a form of earmarking and have proceeded to defend it through thick and thin, despite the best efforts of those of us in Committee to introduce an element of flexibility.

I ask the Government to reconsider their inflexibility and their refusal to listen to the arguments because I believe that this is an area where the strength of the argument is overwhelming. The objections advanced, even with the additions that have been paraded in the last half hour by the Under-Secretary, are totally unsatisfactory.

My first objection to earmarking as the only possible way forward for the courts other than adjusting from other assets in the matrimonial property is that it is very hard to see it living happily and co-existing with the clean-break settlement. It is, as I said earlier, a form of deferred maintenance. The whole thrust of law over recent years, and Government policy, too, is to see divorce as a final severance.

Children, of course, are different considerations. In terms of the relationship between the parting spouses, as far as is possible there should be a once-and-for-all settlement, and we should not be left in a situation where the valuation of the divorce gives rise to a claim on the pension in payment many years hence. Admittedly, that has been very much improved by the amendments that were moved by the noble Baroness Hollis of Heigham in another place, which placed on the pension provider the duty to extract an amount due to the former spouse and to pay it direct. I was relieved and pleased that the

Government accepted that. Nevertheless, this is an odd set of proposals, which surely does not represent the only way forward.

I do not think that what the Minister said destroyed the force of the important social point that, if splitting is not an option, ex-wives will frequently find that their future is open to a degree of uncertainty. Although the ex-wife has been given a right to the pension in payment, a number of things may happen to that right, by chance or design, and she will have little or no control over those developments. The uncertainty strikes me as a fundamental difficulty.

The most obvious problem is that if the husband—the pension holder—dies before drawing his pension, which is always a possibility, his ex-wife's right to the earmarked portion will die with him. She might, of course, wish him a long and happy life in any event; but she would undoubtedly have a financial incentive to do so, regardless of her view of his general conduct and desirability as a member of the human race.

I do not think that the Minister dealt adequately with the much commoner circumstance in which the husband receives the pension in payment and the ex-wife receives her earmarked portion, but the husband then dies before her. For reasons that I have never quite understood, men tend to marry women a little younger than themselves. As we know from actuarial tables, women live longer than men, and it is likely that someone in the position that I have described would have a lengthy widowhood. She would draw the pension on the earmarking principle, but on her ex-husband's death she would be abruptly deprived of it. There might be survivor's benefits, but they would either die with the ex-husband or, in the event of a second marriage, go to the "actual" widow. No claim even on the survivor's benefit pro rata with the original earmarking would be open to the "notional", displaced widow.

In his letter of 1 May, the Secretary of State wrote:

"This is one of the issues which we are currently considering in the light of the amendments adopted in the House of Lords."

It is possible—I say this with no mock modesty—that I have missed something in the substantial number of amendments that we are discussing that answers the question, but I do not think that I have. I am sure that the Minister will understand why I consider that point a practical difficulty that stands in the way of his determination to retain earmarking as the only option open to the courts.

I could continue on this theme for some time, but those who have nothing else to do with their lives can read about it in the report of the Committee stage. I am not sure that I warmly recommend the experience, but many similar points were made then. For example, what will happen to the earmarked portion if the ex-husband surrenders part of his pension in favour of his second wife? If he is reasonably wealthy, he may wish to use the new powers in the Bill for reasons of personal management or, indeed, malice. He may defer the purchase of the annuity, and draw from the capital. Presumably, that would have the effect of reducing the pension when it is in payment—perhaps not dramatically, but to some extent. While he is going through that performance, his former wife will be denied the pension that she may consider to be due to her.

It would be possible to embroider the argument intellectually for a long time. I shall merely say that I view the proposal as a fundamental attack on the Government's determination to make earmarking the only possible option.

Messengers surround me on all sides, speaking sotto voce. The Secretary of State looks remarkably cheerful; I do not know whether that is because what has just happened is a triumph for the hard right of which he is a distinguished ornament, or whether he has become, for the occasion, an establishment figure, but I have no doubt that all will be revealed shortly.

I believe that the advantages of splitting are overwhelming, and should be considered seriously. Clearly, if a capital sum is put into the hands of a departing spouse, and that sum must be lodged with a pension provider, the woman concerned will be mistress of her own pension. She can define it; she can build on it; she knows what it will produce. There will be certainty at the end of the day. Surely there is a case for retaining splitting as an option, rather than ruling it out of court. I put my view in modest terms; I hope that the Minister will at least consider it. It conforms to the clean-break principle, and was originally favoured decisively by the PMI report.

Let us examine some of the arguments that the Government have advanced against that option. In Committee, on 22 June, the Minister said:

"I shall put my anxieties about pension splitting in a nutshell."

One might consider that quite a good place in which to put them.

"I am worried about three matters: cost, complexity and fairness of treatment between divorced and married couples."—[*Official Report, Standing Committee D*, 22 June 1995; c. 808.]

I do not think that the Minister advanced a very powerful case in regard to any of those three matters, and I am not sure that he improved on it greatly today. It was clear in Committee, however, that cost was uppermost in the Government's mind.

A pretty massive red herring was introduced in column 810, when the Minister told us that there was a possibility that the cost of splitting would be as high as £1.3 billion a year. He has courteously written to me saying that there was an error in the calculation, and that the £1.3 billion was in fact £600 million. I accept that these things happen, and there are no hard feelings; but, in my opinion, it does not matter whether the figure is £600 million or £1.3 billion.

Mr. Arbuthnot: I apologise for making that mistake in Committee, but I explained in my letter that, although the figure would start at £600 million, it would rise to £1.3 billion in the fullness of time.

Mr. Dewar: I understand that, but I do not think it relevant. The Minister is offering us the possibility that a substantial sum will be involved if we decide that married couples can allocate any pensionable income between them to minimise their tax bills, but, to the best of my knowledge, no one else has made the same suggestion. The Minister is on a little trip of his own. If he is saying that someone else might make the suggestion because they had read one of the Minister's speeches, and that he will then lie down like a puppy and allow himself to be swept away, I find that very unconvincing. I do not

[Mr. Dewar]

imagine for a moment that what he has said represents a threat, and I consider it entirely irrelevant to the circumstances that we are discussing.

Much more serious is, for example, the suggestion that the cost will be around £800 million. It is interesting that that £800 million is made up of two components: £500 million, which refers to the liability of unfunded public sector pension schemes, and the rest, which was to do with the impact on the tax take and the expense of funding additional voluntary contributions that may be paid in because a pension holder, who has seen his pension split, will want to build it up again to the same position as before.

The £300 million was not mentioned in Committee. I think the £200 million figure has appeared, but the £300 million was taken from the Secretary of State's letter of 1 May and has been used on many other occasions. I do not make too much of that discrepancy, but I say strongly that the lower tax take from the split, if that is a concern, will still be a concern with earmarking. At least if the Under-Secretary introduces machinery to overcome the problem at that stage, it is possible to introduce machinery to overcome it in splitting.

5.30 pm

If we accept the idea that a substantial number of people will cost the state money by paying in more additional voluntary contributions to make up for the loss from their pension fund as a result of splitting, it is equally possible that they will do the same with earmarking. They will consider the end product—they are not silly—and say that, with earmarking, exactly the same result will come about. It is therefore sophistry to argue that the disadvantage of splitting does not apply to earmarking. I am not impressed by what the Under-Secretary has said.

There is of course the £500 million for the liability for unfunded pension schemes in the public sector. Our point is a fair one: the Minister would not dispute it. In Committee, he said:

"As we do not know precisely how people would behave, it would be prudent to examine the worst possible effect of the proposal.

In calculating the figure it was assumed that pensions would be split in all divorces relating to public service scheme members and that 50 per cent. of the accrued cash equivalent transfer valuation would be transferred out of the scheme . . . If all ex-spouses were to transfer their pensions, the cost to the taxpayer would be up to £500 million a year".

That is the worst case scenario: everyone does it; no one remains in the scheme. That is a remarkably unlikely concept.

In Committee, I put it to the Minister, and I still hold to this view, that, if a spouse finds herself getting a split of a public sector scheme, she will be much more likely to want to stay in the scheme as a member than to leave. The Under-Secretary had some sympathy with that point. He accused me of saying that ex-wives should be banned from leaving and should stay in the unfunded scheme as a matter of law. That was not my argument, which was that best advice would be that ex-wives should stay and most of them would. When I explained that to the hon. Gentleman, he said:

"I can only say yes, best advice might be to stay."—[*Official Report, Standing Committee D*, 22 June 1995; c. 810-12.]

If he agrees that best advice might be to stay—and almost everyone else I have spoken to says that it certainly would—to quote that the cost of the prospect of splitting is that no one will stay, despite the best advice that almost all would have to stay, is an almost worthless assumption. It is almost perverse to follow that line of argument in the extreme way in which the Under-Secretary has followed it.

Perhaps I could quote from Mr. Richard Malone, president-elect of the Pensions Management Institute, who is a well-known and authoritative figure. He said:

"The £500M a year figure was openly acknowledged by the Minister to be a worst-scenario cost . . . In practice, comparatively few ex-spouses would transfer their pensions from such schemes in my view, and in any case it is not a 'cost' but a cash-flow or incidence issue".

He is agreeing with my point, and indeed with the Under-Secretary's point that almost all ex-spouses will be advised to stay. Most of them will take that advice and the Under-Secretary's £500 million explodes before our very eyes. He should at least concede that that is a real possibility.

I recognise that there can be problems, but as we know from the work, for example, of Mr. Geoffrey Wilson of Binder Hamlyn, and all the advice that we have had from a range of sources, there are a number of different ways in which it is possible to overcome this problem if it is worrying the Under-Secretary. Perhaps I should mention that he will find that new clause 1(7) contains provision to make regulations to exclude public sector unfunded schemes. That was put in not by the Law Society but by me as a friendly gesture to the Under-Secretary. Lots of ways exist in which the problem can be overcome. That is at least a possible way of pursuing that problem.

Mr. Arbuthnot *rose—*

Mr. David Winnick (Walsall, North): On the point of order, Mr. Deputy Speaker. May I seek your guidance? More than 100 Conservative Members of Parliament have refused to support the Prime Minister. In those circumstances and in view of the humiliation that the Prime Minister has undoubtedly suffered, is it possible for a statement to be made by the Prime Minister as quickly as possible? More than 100 Tory Members have said no to the right hon. Gentleman—more than are in the Government. We should have a statement quickly in the House.

Mr. Deputy Speaker: The occupant of the Chair is here to serve and if the Government or any Minister wish to make a statement, the occupant of the Chair will respond.

The Secretary of State for Social Security (Mr. Peter Lilley): Further to that point of order, Mr. Deputy Speaker. As the Prime Minister has received the handsome majority that he sought—a majority larger than that achieved in any leadership ballot bar one for this party, and substantially larger than that achieved by the right hon. Member for Sedgefield (Mr. Blair)—presumably we may expect the right hon. Member for Sedgefield to seek a reaffirmation of his leadership, resign, go to his party and try to succeed in receiving the support that my right hon. Friend the Prime Minister has achieved.

Mr. Deputy Speaker: These seem to be points of political observation rather than points of order.

Mr. Arbuthnot *rose—*

Mr. Deputy Speaker: Is this a point of order?

Mr. Arbuthnot: No. I was in the process of intervening on the hon. Member for Glasgow, Garscadden (Mr. Dewar) and got blown off track. In the light of new clause 1(7)—I apologise for drawing us back to pensions and divorce—does he now accept the point that he would be banning the transfer out of public sector schemes, about which he was so indignant in Committee?

Mr. Dewar: No, of course I would not be doing that. I am just trying to be helpful. The Under-Secretary knows how helpful I am on these occasions. If he considers the new clause, he will find that it is a permissive clause that makes such provisions as may be appropriate to meet special circumstances. It is simply that I was seized of the point that the Under-Secretary, who sometimes has a one-track mind, would appear before the House today saying that the unfunded pension scheme liability was so frightening to Ministers in the Department of Social Security that further consideration was not possible. I moved to meet that with a permissive clause, but I have made it clear where we stand. I have argued, I hope with some force, that the £500 million figure is nonsense and that the £300 million figure would largely arise in any event with earmarking as well as with splitting.

I make a final point on financial matters. The Under-Secretary made a point and he incomprehensibly repeated it at some length—I shall read it; no doubt it will read better than it sounded—about GMP and the state earnings-related pension scheme. I shall read to him again from Mr. Malone, to give him an example of at least one person of some knowledge and weight in that respect who does not accept that argument. He says:

"The arguments about splitting SERPS and GMPs are not well-developed."

I am sorry that that is a criticism of the Minister by implication, but never mind.

"To say that SERPS 'does not exist' is absurd. It may be unfunded, but the entitlements exist and it is those which are under discussion. GMPs are not an insurmountable problem as we have explained at length, face-to-face with DSS officials. A GMP is a deduction from the SERPS entitlement, and it could continue to be deducted in full despite a divorce settlement. This would not be 'an unacceptable burden on schemes' and I do not know that anyone has ever claimed that it was. It is earmarking that it is an unacceptable burden on schemes as everyone has repeatedly made clear to the government."

Mr. Malone expressed that with some force, and perhaps a hint of exasperation.

I say firmly to the Government that, having tried, to the best of my ability, to consider the financial arguments, I do not believe that they stand up in any substantial sense against the social arguments of certainty—to which I referred—and justice and fairness, which at least argue eloquently for the possibility of including splitting among the options.

The argument is, on the whole, familiar to hon. Members who served on the Committee, and I promised that I would not rehearse it over-zealously. I must say, however, that there is a very powerful coalition in favour of at least going ahead with the option that I have discussed.

Fairshares is unashamedly a pressure group, but it has worked hard and fairly to inform its members and itself and to put its case. I pay tribute to that. In addition, I have quoted the PMI extensively. The PMI did the major piece of research that is the foundation of the proposals to which the Government have now agreed. Unfortunately, they would not take the further step down the road with the PMI.

The Equal Opportunities Commission has been quoted. It has rightly expressed its opinions clearly. It does not want to find itself in a position where splitting is ruled out—I do not blame it for that.

The Law Society of England and Wales, the Law Society of Scotland, the Institute of Actuaries, the Faculty of Actuaries in Scotland, the Solicitor's Family Law Association and the National Association of Pension Funds—and a lengthy and impressive list of other organisations—have all said that the Government have got that matter monumentally wrong, and should be considering splitting.

If that is really so difficult to do—I understand that that is the Minister's position—let me quote what was said by the Pensions Board of Ireland. I do not pretend to be an expert about it, but I have been supplied with the annual report and accounts of the board, in which the board discusses the Family Law Bill, which was introduced in the Irish Parliament in February 1994 and I suspect will now be the law.

The board deals with different approaches to the division of pension rights on marital breakdown available under the terms of the Family Law Bill. They fall into four principal categories. One is pension splitting within the scheme, which we suggest is the answer to the unfunded public sector pension problem. The next is pension splitting by transfer payment:

"A variation of the approach immediately above, and it involves the transfer of an amount equal to the value of the pension rights allocated to a member's spouse out of the scheme to an approved insurance contract or to another pension scheme of which he or she"

becomes

"a member."

That sounds like a very simple statement of what we propose.

The myriad difficulties do not appear to have stopped the Irish. I have no doubt that there are differences in their system and their social security system, and I do not pretend that I have had time to consider that in detail, but I put that in as a corrective against the way in which the Minister is throwing his hands in the air and saying, "It is impossible."

5.45 pm

I expected that we might end up with Brooks *v.* Brooks, and I took the trouble, as the Minister did, to equip myself with a copy of the judgment in that contentious case, which ran on for a long time and ended up in the House of Lords.

I do not believe that the Brooks *v.* Brooks case argues the case for splitting, as the Minister accused me of believing. I do not think that he has heard me speak on the subject of Brooks *v.* Brooks, and therefore he must suffer from the delusion that he is a thought transference expert. In any event, I do not hold that opinion.

Brooks *v.* Brooks is a rather special case and it is narrow in its application. For a start, the decision does not provide for pension splitting on divorce in a normal case. Brooks *v.* Brooks, as the House will remember, depended to some extent on whether the specific pension scheme that was discussed was a marriage settlement. In addition,

[Mr. Dewar]

the husband and wife were members of the same, very small, pension scheme, and therefore no problem of prejudice to other members of the scheme, or any other complications, arose.

It has been suggested to me that there are some messages from the decision. In the normal case of a wife who has not worked for the same employer as her husband, the case will allow a wife, on divorce, not necessarily to split, but to receive a dependant's pension if, first, her husband's pension scheme is capable of being a marriage settlement—that is one great exclusion—and, secondly, the ex-wife remains a dependant. The latter is not something that we would want to encourage, and is not a case, in these days of women working in the labour market, that will arise very often. Finally, it must not prejudice other scheme members.

I do not believe, therefore, that we can assume that the Brooks judgment is in any way a final word. However, I would urge on the Minister that it gives impetus to the need to clarify the position. If the Government leave the position as it is, in many cases the wife will have an earmarked portion of her husband's pension—assuming that the Bill becomes law—and the question whether her husband's pension arrangements might be the subject of a Brooks order would then arise, to secure a deferred pension as a replacement for the lost widow's pension. That will lead to enormous complication and difficulty, much of which would be removed if the amendments to which I spoke today—or at least their spirit—were accepted by the Government.

One might also draw some perverse conclusions from Brooks. For example, if one is a middle-aged, middle-income executive, one is probably better off in a large company scheme than in a small scheme in which one is the prime figure; but that is another matter.

I do not believe for a moment that Brooks settles the issue; indeed, it probably complicates the issue, but, by doing so, argues the case for completing the nap hand of options that should be available to the court in reaching the right decision in the circumstances of an individual case.

I was interested that the Minister quoted the leading judgment, which is by Lord Nicholls of Birkenhead. The Minister triumphantly quoted the last paragraph, but before we reach the last paragraph I shall draw his attention to page 4 of the judgment.

Lord Nicholls reviews the various possibilities with some care. He expresses—I want to make this clear—some reservations about splitting pension rights, but they are rather minor reservations. He suggests that there would be

"significant administrative burdens and expense for scheme trustees; there may be problems over guaranteed minimum payments and protected rights; and there would be major financial implications for unfunded public service schemes."

I concede that he is entitled to refer to all those matters, but that is nothing to the objections that he raises to earmarking. I am surprised that the Minister did not read the passage to us, as he is so keen a fan of Lord Nicholls' prose. It says:

"A second method involves earmarking part of the pension benefit for payment direct to the spouse when the pension comes into payment. This earmarking method suffers from the disadvantages that it would not be a 'clean break': payment of benefit would depend on the happening of events some of which would be under the member's control; there would often be uncertainty for some years for the former spouse, not knowing when benefits would start or what would be their duration; and in most cases this method would yield nothing for the wife after the husband's death, she no longer being entitled to a widow's pension under the scheme."

That might be a summary of many of the arguments that I have made in the last half hour or so.

If we are going to reflect on Lord Nicholls' opinions, we should take his strictures—not an unfair word—about earmarking, and certainly earmarking as the only way forward, very much into account.

The Minister quoted the final paragraph of Lord Nicholls' speech:

"If the court is to be able to split pension rights on divorce in the more usual case of a multi-member scheme where the wife has no earnings of her own from the same employer, or to direct the taking out of life insurance, legislation will still be needed."

I accept that entirely: it is exactly what we are trying to do. Lord Nicholls said that that possibility requires legislation. We are trying to supply that legislation through new clauses 1 and 2, which the Minister especially disliked but which were referred to specifically by Lord Nicholls. They were drafted because the Law Society thought that they were right.

I believe that we can by rational argument seriously shake the opposition to these proposals, certainly in respect of the financial arguments. When we come to the social arguments, to what is best for stability in the aftermath and trauma of a divorce and consider someone who may well find herself—it is likely to be the former wife—on her own, it is important to try to provide circumstances where she has certainty and knows that what she has been promised will be delivered, however modest it may be. That is not going to happen with earmarking and there will be many cases in which it will not be possible to accommodate a capital payment from other assets and in which earmarking may seem singularly inappropriate.

I believe that the Minister even now should go a little further down the road than he did in his exchanges with the hon. Member for Roxburgh and Berwickshire (Mr. Kirkwood) and make it clear at least that the door is genuinely open to splitting and that the Government accept that there is a strong social case for making arrangements that would allow that.

Mr. Kirkwood: For the past 45 minutes, I have listened with care to the hon. Member for Glasgow, Garscadden (Mr. Dewar), who has dissected the Government's position in a forensic way and demonstrated his well-known skills, especially in respect of the financial aspects. I concur with him. I am also grateful to him because I no longer have to repeat the arguments—he has deployed them with enough skill to satisfy anyone who has been listening that many questions about the Government's current position remain to be resolved.

As one who did some divorce work as a solicitor before coming to the House, I can say that it was clear to everyone practising such work that the situation was unfair. Things have moved on at some speed during the past 12 or 13 years, and the courts are going to take the issue further than the Government are prepared to take it in a legislative sense if this measure is the Government's last word on the matter.

If the Government were willing to leave the door open to further reform, there would be a case for reconsidering the problem after the commissioned research had borne fruit and, after they had had a chance to consider it, more sensible provisions could be made.

When the Bill was published, I was concerned that the amendments that were tabled in the other place started to tackle the issue as they did. I should have much preferred the issue to have been dealt with in a free-standing matrimonial family Act and separately from occupational pensions, the protection that schemes are now perceived to need and the rest of the burden of the Bill.

Matrimonial disputes are complicated and deserve their own legislation. I came to that view when I was looking at how such matters work out in the courts. I have felt for some time that the courts should be given more discretion to deal with individual circumstances. I do not believe that the straitjacket of a legislative framework can deal with the panoply of ramifications of all the peculiar circumstances that can arise during the dissolution of a marriage.

It is extremely difficult for legislators to cater for everything that can happen when a marriage is dissolved. If judges were given discretion, within a framework of law, to consider all the circumstances, including the cost to the public purse and to other members of the scheme, they could weigh those factors in the balance judicially. I have felt for some time that they should be given proper freedom and discretion and that we should have the confidence to allow the courts to make fair settlements. Case law could be established in that way.

I was interested to hear what the hon. Member for Garscadden said about the Brooks *v.* Brooks case. I entirely agree that some of the press reporting of that case, certainly in the initial hearings, was misleading. The case involved a very peculiar set of circumstances and no great conclusions could be drawn. The courts should be trusted a bit more and charged with considering the effects on the public purse and on other scheme members. That could permit more sympathetic consideration of individual circumstances when settlements are made.

I am nervous about how we have come to be in this situation. I fully understand the frustration felt by pressure groups such as Fairshares. I, too, commend them. They have played an excellent role. We have also been provided with briefing material during the passage of the Bill. I agree with the hon. Member for Garscadden about the role that has been played by the Pensions Management Institute report and Mr. Malone. They have exploded, certainly to my satisfaction, many of the positions that the Government have taken.

I have not yet studied all the Committee proceedings in great detail. I am taking them on holiday to the beaches with me and, in the autumn, I shall be in a much better position to target questions, but the explanation of the financial reasons against splitting seems to me to be wholly bogus and unsubstantiated.

I am grateful to the hon. Member for Garscadden because he effectively demolished the Government's argument that there would be a £500 million a year cost to unfunded public service schemes and tax losses estimated at some £300 million pounds a year by 2037. In passing, 2037 seems a gie long way away. It puzzles me how such figures can be conjured up out of the air. If a bolt of enlightenment is to come from the Treasury Bench, I am more than willing to receive it.

Mr. Arbuthnot: I do not know that I have ever described myself as a bolt of enlightenment. I want to correct the hon. Gentleman on the £300 million. The hon. Member for Glasgow, Garscadden (Mr. Dewar) properly and fairly drew attention to the fact that the tax cost had changed. We now consider that the tax cost of pension splitting would be up to £200 million, not £300 million; £100 million is quite an important difference.

Mr. Kirkwood: I am tempted to ask the Minister to explain why the estimate has been revised; but that would perhaps only provoke him.

Mr. Arbuthnot *rose—*

Mr. Kirkwood: I see that it would, so I shall not ask him.

There are many questions to be asked and there is a lot more work to be done before I shall be convinced that the financial difference between splitting and earmarking is as the Government allege.

What consideration have the Government given to equity between sexes in this argument? If the Government scheme goes on to the statute book, what view will the European Union and the European courts take of the current earmarking proposals? Has that been considered? I should be interested to hear the view of the Equal Opportunities Commission and other interested bodies. I am not confident from a legal point of view that the Government could successfully take a case to the European Court and argue that the earmarking provisions are not inherently discriminatory. I believe that they might fall foul of the European Court. I am certainly persuaded that the provisions for splitting on divorce are far more equitable from a social point of view—and, indeed, from every other point of view.

6 pm

I understand that there are problems but I, too, have considered some ways to get around some of the difficulties that have been suggested by the Government. I should like to think that, if the Government had had longer to work on some of the objections, solutions to them could have been found. If the Government are saying that they will continue to examine the problem and that the current proposals are not the final word, I hope that the research that they have rightly commissioned will lead them to favour splitting and to introduce free-standing legislation that will, of itself, produce the fairness, justice and equity that we believe can be achieved only by a move towards splitting.

Mrs. Jane Kennedy (Liverpool, Broadgreen): I should like to ask the Under-Secretary of State to look carefully at Government amendments Nos. 69, 70 and 71, which amend clause 164 and refer to section 25B of the Matrimonial Causes Act 1973. I know that he dealt with these amendments in his opening remarks, but I have to confess that I did not fully understand the need for Government amendment No. 70, which would appear to be completely unnecessary if Government amendments Nos. 69 and 71 are carried.

[Mrs. Jane Kennedy]

Amendment No. 69 deletes "in the foreseeable future" in line 32 on page 121, and amendment No. 71 deletes the same phrase in a later proposed subsection of the 1973 Act. Amendment No. 70 adds the words:

"and, accordingly, in relation to benefits under a pension scheme, section 25(2)(a) above shall have effect as if 'in the foreseeable future' were omitted".

If that phrase is already omitted, where is the need for amendment No. 70? That is the main element of the Minister's remarks that I did not understand. Much of what he said concerned the complexity of the issues with which we have been dealing but, in Committee, we were able to distil that complexity into relatively simple terms and I managed to follow most of what was said. I have not, however, understood the reason for amendment No. 70.

Mr. Arbuthnot: The reason for the proposed change is that we want to remove the words "in the foreseeable future" only in so far as they apply to pension schemes to which they are not appropriate. The amendment to section 25 of the Matrimonial Causes Act 1973 would therefore not remove those words in relation to any other types of asset.

Mrs. Kennedy: I am sincerely grateful to the Minister. He has cleared up what, to me, was a puzzle.

We can also distil into relatively simple arguments the complexity of what divides us. There is no difference between us on the principle that pensions are assets that can be split; the real difference relates to when we think that split should take place, which is why we have come to use jargon such as splitting and earmarking.

The Minister referred to the case of Brooks *v.* Brooks. The importance of that case has already been explained by my hon. Friend the Member for Glasgow, Garscadden (Mr. Dewar). The House of Lords' ruling means that the courts have the power to order the payment of part of an individual's pension to a divorced spouse. There is no intention on either side of the House to diminish the importance of that ruling, although the Minister has tried to underplay its importance. This is the first time that it has been found that pension benefits can belong to someone other than the scheme member for whom they are intended.

As I understand it, the courts in England have the power to compensate a divorced wife for the loss of expected pension benefits, but they are not allowed to vary pension schemes by splitting pension rights between the parties. The facts of the case of Brooks *v.* Brooks are recognised as unusual, but the *Financial Times* reported last Friday:

"Solicitors for Mrs. Brooks said . . . that the judgment was likely to set a precedent for division, at divorce, of personal pensions, most of which also are single-member plans paying benefits based on contributions.

Mr. Norman Russell"—

the solicitor in question—

"said: 'It is hard to see that there is one law for the wife whose husband bought an executive pension and"

another for

"the wife whose husband bought a personal pension'."

There is no doubt that the argument will continue and that the courts will continue to make decisions. We should be failing if we did not help the courts to arrive at fair and equitable decisions.

One of the problems with the Bill is that it allows only the earmarking of pensions at divorce and dismisses the benefits of splitting. Under earmarking, divorcees are left entirely dependent on their ex-partners. It is only when a scheme member draws the pension that part of it is paid to a divorced partner. If that pension is drawn early, the divorced partner gets less than expected. If it is drawn later—if late retirement is taken—the ex-partner will have to wait for a share. If the scheme member dies before retiring, the ex-partner get nothing at all. The injustices of that will continue to be questioned by the courts. It is therefore right and proper that we now consider a solution which would assist the courts to arrive at fair and equitable decisions.

The Bill supports earmarking despite the recommendations of the Pensions Management Institute which, in May 1993, published the report of an independent working group that investigated in depth the issue of pensions and divorce. Despite Government claims to the contrary when the Bill was considered in the House of Lords, the PMI argued—and continues to argue—that its report was supported by the Law Society, the Society of Pension Consultants, the Association of Consulting Actuaries, the Institute of Actuaries and the Faculty of Actuaries. In passing, I have to say how much members of the Committee owe to the actuaries for their assistance with some of the complexities.

The PMI argues that its report came up with solutions that are practical, workable and effective. The report came out in favour of splitting pensions at divorce rather than waiting until the retirement of the partner who was a member of the scheme, thus allowing a full, clean break on divorce. It is worth quoting at length the PMI's memorandum which was submitted to the Select Committee on Social Security and appears on page 106 of the Select Committee's report. It states:

"We believe there are political motivations behind the Government's reluctance to make more fundamental changes in this area and we find this profoundly disappointing. In recent years the pensions industry has been accused of failing to be innovative and failing to keep pension scheme provisions in line with changing social needs and attitudes. Here we have an example of the industry (and the legal and actuarial professions) taking the lead only to meet a refusal from the Government to implement the recommendations. We believe it is critical to sort out pensions on divorce urgently because of the social ramifications. Furthermore, it will not be long before questions to do with pension rights between partners in relationships other than marriages become a legal, not to mention a social issue."

We have gone into the problems of earmarking at length but they bear further consideration. The ex-partner would receive benefit only when the member retired and receive nothing if the member of the scheme, their former partner, died before retirement. The divorcee would therefore be required to keep track of their partner over a number of years when all that they wanted was a clean break. Divorce practitioners believe that a break is desirable so that those concerned are free to go their separate ways without being financially dependent on each other.

If the scheme does not require a direct payment of the earmarked sum, the ex-partner might have to use the courts to enforce the rights under the earmarking agreement. The costs of that—to both parties—are obvious. The only people who would benefit from that are lawyers, with all due respect to all hon. and learned Members present.

Another problem with earmarking is that, although divorcees would obviously have an interest in the financial performance of the scheme, how the pension was reinvested, and so on, they would have no say in any decisions because they would not be members of the scheme. They would be linked to the scheme only through their former partner. Scheme members could face difficulty on leaving a job and transferring their pension rights if they were earmarked in a divorce settlement.

There would be uncertainty about the level of retirement income, so it would be difficult for both parties to plan ahead. As I have already said, if the scheme member dies, former partners could have no income at all for their latter years. That would be a particular problem for women, as we tend to outlive men.

There are several benefits of splitting: most important, it would allow a clean break. Divorcees could begin their lives again without continuing to be reliant on each other in any way. It would also allow the courts to reallocate other assets without complicating the value of the pension and ensure that both parties had their own entitlement to their own retirement benefits.

I want the Minister to reconsider new clause 1, which is extremely constructive. It does not say that all pensions should be split at the point of divorce. At proposed new section 24B(3)(a), new clause 1 would allow for a lump sum to be paid to a partner if that was what the court determined and if it made an order to allow it. Paragraph (b) would allow the administrator of a pension scheme to treat the former party of a marriage as a member of the pension scheme in relation to such benefits as may be specified. The former partner would therefore become a full member of the scheme. Paragraph (c) would allow the administrator of the pension scheme to make such a payment into any other pension scheme that may be appropriate.

There are throughout new clause 1 a range of options for the courts or the administrator of a pension scheme. In each case, it would be possible for the courts and the administrator to determine exactly the best outcome for the two partners.

I know that there are difficulties with many of the solutions, just as there are with the earmarking solution that the Government have opted for. In new clause 1, proposed new subsection (4) allows for safeguards in that the administrator of the pension scheme would be able to present to the court a reason why any of the solutions being suggested should not be adopted. Paragraphs (b) and (c) in particular would allow the former partner to be brought into the scheme as a full member or allow payment from one pension scheme into another.

Proposed new subsection (7) would allow a safeguard for unfunded schemes by enabling the Secretary of State to introduce regulations which may be appropriate when it was felt that an unfunded scheme could not or should not be part of the settlement.

Will the Minister reconsider those points? I am not satisfied with the case that he has made against splitting on divorce. The new clause would allow the courts to choose the best solution for the two people before them when determining divorce settlements. That is the best solution for everybody and I commend new clause 1 to the House.

6.15 pm

Mr. Harry Cohen (Leyton): I have tabled amendments Nos. 3, 4, 5, and 6 and new clause 15. I also rise to support the amendments in the name of the official Opposition—excellently explained by my hon. Friend the Member for Glasgow, Garscadden (Mr. Dewar)—especially new clause 1, which puts the case for pension splitting within the scheme and, at the discretion of the courts, via transfer values to the ex-spouse of the pension fund member.

I note that the Minister will review the matter in the light of research. Indeed, he was cautious in replying to the hon. Member for Roxburgh and Berwickshire (Mr. Kirkwood) about whether such a review would reveal a need for further legislation. I suspect that, when the Government receive the research, they will need to introduce further legislation and move toward a pension-splitting approach, as has been suggested not only by Opposition Members but by many expert organisations. I also suspect that, by relying on the research, the Government are kicking the whole matter into touch, and that further legislation will probably have to be introduced by a Labour Government after the next election.

The mere fact that amendments and new clauses have been tabled on pensions relating to divorce is a triumph for fairness, and a victory for the campaign to recognise the issue in the Bill. To begin with, the Government did not envisage dealing with the matter of dividing pensions in the event of divorce. I am pleased to have played my part in the recognition of the problem and bringing about change. I introduced two ten-minute Bills on the subject: one at the end of last year and one earlier this year, which greatly raised the profile of the issue.

An excellent campaign has been organised by Fairshares, a working party of the Pensions Management Institute has produced excellent reports, and I pay tribute to the work and achievements of Baronesses Young and Hollis in the other place in tabling an amendment on the subject.

The Government accepted the principle of the amendment, although I do not know whether they were dragged kicking and screaming to that view. Perhaps that is a rather ungentlemanly thing to say, so instead I shall praise them for at least accepting the principle, realising that there was an issue to face, and accepting that changes needed to be made to ensure fairness for ex-wives, who are badly treated under the current law and often do not get a share of the ex-husband's pension.

Nevertheless, my hon. Friends and I remain concerned, because the way that the provision is implemented could lead also to unfairness in the system. The earmarking method chosen by the Government, against all the advice from the experts, could result in unfairness. I have read the *Hansard* report of the Committee proceedings. My hon. Friend the Member for Garscadden asked whether I did not have better things to do with my life. He made an excellent speech in Committee on pension splitting on divorce, and he has done so again today.

In Committee, the hon. Member for Antrim, South (Mr. Forsythe) asked whether the Government were not in danger of following the path of the Child Support Agency by making a mistake in their choice of how to implement the legislation. The principle is good, but if the implementation is wrong, that could lead to unfairness and the Bill would have to return to the House for

[Mr. Harry Cohen]

clarification. That would have cost implications. It would have been better to follow the reports of the Pensions Management Institute and the Goode committee.

On 30 June, *The Independent* described the Government's approach as "a strange mish-mash." It said that the Brooks *v.* Brooks case, which has been mentioned today, had made the Government alter their original intentions. Doubt has been cast on the overall effect of the Brooks case, and I agree with that. For example, *The Independent* said that a number of women would be

" entitled to a share of their former spouses' pensions at retirement. They can claim this even if the partner dies before reaching retirement age."

I am not at all sure that that is a consequence of the Brooks case. Indeed, my understanding is that Mr. Brooks is still very much alive, so I do not see how *The Independent* can make that judgment.

As my hon. Friend the Member for Garscadden said, the Brooks case was narrow, and there were special circumstances, as Mr. and Mrs. Brooks were the only two members of the personal pension fund. Because of that, Mrs. Brooks had a right that would not necessarily apply to other spouses with a range of different circumstances. I certainly do not think that the right would apply if the partner were to die, which is why I have tabled my amendment.

If a member of a pension fund dies, that should not negate the right of the ex-spouse to his pension, which should have been guaranteed at the time of the divorce. If, subsequently, the member of the pension fund inconveniently dies, the ex-wife should not lose her rights. I do not think that the Brooks case resolved that problem, as *The Independent* maintained, although I shall be interested to hear the Under-Secretary's view. If it does not resolve that problem, I hope that the hon. Gentleman will reconsider my amendment, which would.

I want to press the case for pension splitting on divorce. Many of the expert organisations support that, rather than the Government's earmarking approach. I want to draw the attention of the House to two documents. May's edition of "Parliamentary Brief" carries an article by Stewart Ritchie, the director of pensions development for Scottish Equitable. In an article entitled "A Prescription For A Messy Divorce"—which in itself sheds some light on the Government's proposals—he states:

"The government's proposed answer is for the court to make an order which will oblige the pension arrangement to pay a proportion of the relevant pension to his ex-wife when he retires."

That is the key point. He continues:

"However this is contrary to the conclusions reached by the Working Group appointed by the Pensions Management Institute in its widely acclaimed report of May 1993, and the government's approach has been greeted with dismay by many parts of the pensions industry."

The article then gives a number of reasons for that dismay, such as the fact that the ex-spouse will have no control over her pension arrangements subsequent to the divorce.

Mr. Ritchie asks what would happen if the member of the pension fund deliberately postponed his retirement out of spite, to delay the ex-wife access to her share of the pension. That point highlights the unfairness that will arise out of the Government's approach. If we must have earmarking, the ex-wife should be able to exercise her right on her retirement, rather than her ex-husband's. He should not be able to postpone his retirement out of spite. Mr. Ritchie was referring to a key point in my amendments—that the pension fund member may leave pensionable service and die before retirement. His pension would then die with him, as would the ex-wife's entitlement to her share. That would be unfair.

Mr. Ritchie stated:

"The PMI Working Group approach is to allow the ex-husband and ex-wife to agree a clean break using other assets if feasible . . . If this is not feasible, a transfer value can be paid . . . The ex-wife is then in charge of her own pension destiny."

That is the approach favoured by the Opposition.

Mr. Ritchie concluded:

"If there is a political will for a clean break, it can be done, and it would be less messy than the current proposals."

That is an expert opinion.

The other document comes from the PMI. It is a press release dated 13 June, headed "Pensions and Divorce: is Disaster Looming?" It quotes Mr. Richard Malone, the president-elect of the PMI, as saying:

"The hopes and expectations of thousands of divorcees will be badly let down if the present provisions for pensions on divorce are not changed as the Pensions Bill goes through the House of Commons. The PMI has been pressing for divorcees to be allocated a pension of their own as part of the divorce settlement; a pension which they can control themselves and around which they can plan their own financial affairs and independence."

The press release continued:

"Only when the scheme member decides to draw pension will part of it be paid to the divorced spouse; if it is drawn early, the ex-spouse will get less than expected; if retirement is deferred, ex-spouses will just have to wait for their share; if the scheme member dies before retiring, they will often get nothing at all."

Mr. Malone said that those are "fundamental flaws" in the current proposals, and concluded:

"Further complications arise because between the divorce and the time of retirement the scheme member may transfer the pension . . . Divorcees will have no say in any of these decisions despite the fact that they have a substantial interest in the form that the final pension takes and in the financial security of the investments."

That is a pretty scathing criticism of the Government's earmarking approach, and there are arguments in favour of going down the road that the Opposition propose, of pension splitting. If the Government are insisting on earmarking, they should address the flaws and tackle them, even at this late stage.

6.30 pm

In my amendments, I propose to give the Government an opportunity to ameliorate at least some of the worst effects of their proposals. My amendments relate to four main areas, which I shall now go through. Amendments Nos. 4 and 5 talk about the date when the legislation should be enacted. The fundamental point behind my amendments is that they should come into force on the day that the Bill receives Royal Assent.

In Committee on 22 June, the Minister said:

"We are talking about orders made after April 1996 for pension rights accruing after April 1997 . . . If the divorce proceedings have started now, but have not concluded by the time that that time scale comes into effect, they will be affected in the ordinary way."

Mr. Arbuthnot: I should correct a word that I used in Committee and which the hon. Gentleman referred to in his quotation. I said "accruing" when I should have said "paying". I am sorry to be pedantic.

Mr. Cohen: That is a fair point. The effect on the ex-spouse of a pension fund member if the case is

on-going is that she will not have the rights which the Bill would pass to her for payment. It is understandable that, if the legislation is not passed, one will not get the rights. But why should an ex-spouse wait until April 1996 or 1997? Once the Bill is enacted and the ex-spouse goes to court, she should have those rights, as that is clearly what Parliament intends.

In his opening speech, the Minister said that my amendments were retrospective, but I do not think that that is the case. I am saying that the measure should come into effect when the legislation is formally passed, as that is reasonable. Since taking up this matter, I have received letters from women who have been extremely badly treated in divorce settlements, and I have considerable sympathy with them. I understand the arguments about retrospective legislation, and I accept that we cannot reopen past divorce settlements. But I do think that we could start afresh from the date that the legislation is passed.

The amendments would allow the provisions of the Bill to come into force on the day that the Lord Chancellor decides. It might not even be April 1996 or 1997, as the Minister said—although I presume that that is the Government's intention—as the Lord Chancellor could put off the introduction under the provisions of the Bill. We should be clear, and let divorced couples know where they stand, as that is the fairest way forward.

There will be an anomalous situation if the Bill is enacted but its provisions are delayed until the rights start to come into effect, because couples will be bringing divorce cases to the courts and seeking settlements in the period between enactment and when the Lord Chancellor brings the measure into effect. It is unfair for the ex-spouse, and could create court chaos. Ex-spouses going to court for a settlement will—if properly advised by their lawyers—say, "Delay it until the Lord Chancellor brings the measure into effect," while the husband's solicitor will be telling him to get into court right away.

That is not a proper way for the courts to be looking at divorce settlements, either. It is a recipe for chaos and unfairness, especially when the legislation is on the statute book. There is a strong case for bringing into effect the provisions related to pensions and divorce as soon as the Bill receives Royal Assent, and I hope that the Minister will consider that carefully when he comes to respond.

My amendments would give an ex-spouse the right to be informed of any transfers of the pension fund money which occur when the ex-partner moves the money around different pension funds. In Committee, my hon. Friend the Member for Garscadden wondered whether the duty to inform should fall upon the provider, and asked how an ex-spouse would know where the pension fund money was and what her rights were. Someone should have the duty to keep the ex-spouse informed.

The Under-Secretary replied:

"Those are both fair points, which I shall consider further because they are important."

The Under-Secretary might have considered those important points, but we have not heard the results of his consideration; he has not come up with anything. I have helped him out with my amendments that propose that the ex-spouse should have the right to be kept informed about where her pension money is.

In his opening remarks, the Under-Secretary said that we would be giving more information to her than to her former spouse. I find that hard to believe. There is a basic case for saying that, if it is her money, she has the right to know where it is. That is a fundamental point. I find it hard to believe that she has more rights to information than her former partner, as he is the one shifting the money around—he will know where he has put it. If he changes jobs and joins a new employer's pension fund, he will know where the money is. His partner will not know. I think that, on reflection, the Under-Secretary will realise that what he said is not right, and that the ex-spouse will not receive more information than her partner.

The Under-Secretary also argued against the right for the ex-spouse to receive information, because the trustees would have to bear the cost. A cost probably would be involved, but I do not think that the cost is unreasonable. It is better for the trustees and the managers of the pension fund to have that duty than her ex-partner, who would have no incentive to tell her. It would be tricky to place a duty on him to do so in law. It would put the couple back into contact with each other, when their marriage was over and they wanted to break contact. It would not be wise to put the duty on the ex-partner. It would be far better to place it on the trustees and the managers of the fund. I acknowledge that, as the Under-Secretary said, my proposal would involve a cost, but it is a minimal cost—a letter, perhaps even a standard letter, and a stamp. That should not be too onerous a cost for the trustees to bear. At present, the ex-spouse is in the dark about where her money is, which is wrong.

The third of my four amendments relates to reconsidering the divorce settlement if the pension was not initially considered under the Matrimonial Causes Act 1973—an important point. The matter was dealt with by the Under-Secretary on 22 June, when he drew attention to the 1973 Act:

"The position now is that the courts are obliged to take into account the pension assets"—

when there is a divorce settlement—

"But the experience of many people is that, despite that, such assets have not been taken into account—that is important."—[*Official Report, Standing Committee D*, 22 June 1995; c.803-8.]

The Under-Secretary acknowledged that, although there is, nominally, a legal right, in many cases the pension right is not taken into account.

6.45 pm

My amendment gives the ex-spouse rights when that new pension money comes to light. It does so only in those circumstances where she may not have known that her partner had a pension fund, so it was never taken into account. The matter can be taken back to the court for consideration. But the case is reopened only in those specific circumstances—when the pension fund has not been taken into account in the original settlement hearing.

The court would not reopen the whole divorce settlement, but only the pensions aspect of the settlement, which should have been taken into account at the original hearing, as the Under-Secretary acknowledged. That is not retrospection on any grand scale, but merely an adjustment to take into account existing law which is not being fully implemented. People are losing as a result of that omission.

I have perhaps garbled my argument a bit, but I hope that I have made my point as best I can. I do not think that my amendment calls for too much retrospection—certainly not on a significant scale. It would allow for

[Mr. Cohen]

pension rights, which are not always initially taken into account by the courts at the divorce settlement, to be considered as the law intended.

I come now to the fourth of my amendments, and I see that the Whip, my hon. Friend the Member for Leeds, East (Mr. Mudie), is concerned that I have been talking for too long. I apologise to the House for that. I certainly do not intend to make a speech as long as the one I did the other night, but I am making relevant points.

New clause 15 deals with what happens when the husband dies. I am strongly of the opinion that his ex-spouse should not lose her pension rights—they should not die with the husband, which would be extremely unfair. I shall not quote from the Committee *Hansard* again because of the shortage of time, but the Under-Secretary said that the matter was important. I give him credit for the fact that he was concerned about it. In response to points raised by Opposition members of the Committee, he said that he did not have the answers. He might not have the answers, but an answer is needed. My amendment gives the House the opportunity to have the answer.

The basic principle behind the amendment is that the pension rights of the ex-spouse should not die when her partner dies if he dies before the pension comes into effect. That is the crucial point of the amendment. The ex-spouse should be entitled to what she would have received had her partner lived. My amendment amends the Inheritance (Provision for Family and Dependants) Act 1975 to allow that to happen.

It is a clever amendment, and I pay tribute to the Clerks for its wording. It gives the ex-spouse the right under that Act for pension rights to be considered. The new clause is entitled

"Pension provision on death of person not providing for a spouse".

The new clause therefore goes a little wider than my original intention, but in a good cause. Regardless of divorce, if a person has not provided out of his pension for his ex-spouse, she can use the amendment to go to the courts to obtain her rights. I think that the Under-Secretary should accept the amendment.

I think that the Under-Secretary said tonight that he was proposing to give the ex-spouse access to the lump sum. That goes part of the way to accepting my case that the ex-spouse should have rights, and that those rights should not die when her ex-partner dies.

Mr. Arbuthnot *indicated assent.*

Mr. Cohen: The Under-Secretary nods his head, and I am grateful that he has accepted the principle behind my amendments. I welcome that acceptance, but access to the lump sum is only half a loaf. If the Minister accepts that principle, a widow should have full pension rights and receive all she would have been entitled to if her spouse had not died. I hope that the Minister will take my points into account. Although I welcome his partial concession and his acceptance of the principle, I hope that I can persuade him to accept all my amendments.

I believe that pension splitting is the best approach. A clean break would be best, and the courts should have the flexibility to arrange settlements and transfer values to the ex-spouse. The Government do not have time to address all the points made by my hon. Friend the Member for Garscadden, but I believe that they have over-egged the pudding in terms of the cost of pension splitting. I do not think that the cost is as great as the Government maintain. Many wives who do not have pension rights are forced to claim benefit, which the Committee was told amounted to about £70 million. That sum must be offset against the Government's estimated cost.

I noted the Minister's argument about barring people from leaving public sector pension schemes because that would cost the taxpayer money. I thought that the Government wanted people to leave the state earnings-related pension scheme—in fact, the Government have awarded tax relief and tax bonuses to people to encourage them to leave SERPS and secure private pensions. If the Government do that as a general rule, I do not see why they should not do the same for ex-spouses. It should not be taken into account in the Government's calculations, because that is their policy, anyway.

I am in favour of pension splitting, but in this Bill it appears that the Government are stuck with the second-best earmarking approach. If the Government are stuck with that approach, my amendments at least clarify and improve the law. According to the Minister's own criteria, they are cost-neutral, less complex, and certainly a lot fairer than the Government's proposals. I recommend them to the House.

Mr. Gerry Sutcliffe (Bradford, South): Time moves on. The pensions issue has been well documented by many of my colleagues and I pay tribute to my hon. Friend the Member for Glasgow, Garscadden (Mr. Dewar) for the way in which he dealt comprehensively with that issue in putting the case for pension splitting. The Committee missed the contribution of my hon. Friend the Member for Leyton (Mr. Cohen) during its deliberations.

Divorce is a traumatic event in the lives of the people involved. Many entanglements must be resolved, including emotional, financial and practical considerations. Sadly, in the United Kingdom the number of couples who opt for divorce has reached unwelcome proportions. Some two thirds of marriages now end in divorce, and that is the highest figure in western Europe. According to Mr. David Salter, vice-chairman of the Solicitor's Family Law Association, consecutive Governments have failed to take action on the issue of pensions and divorce. He went on to say that the current law creates inequitable settlements that often leave one partner of the marriage in poverty and that the courts need the power to redress the situation more fully.

I have received a large amount of correspondence from individuals and organisations who point to high levels of suffering as a result of the inadequacies of the current settlement procedures. Social trends will make the issue increasingly more important. That view is shared by many, including Goode and the Pensions Management Institute.

In marriage, careful provision is usually made by way of a pension and/or insurance to ensure that, if one partner dies, the other partner will be able to pay off a mortgage and to top up any existing pension entitlement. It is vital

that the dependent partner be provided for. At present, upon divorce, the dependent partner receives no such consideration. According to the organisation, Fairshares:

"Divorce is as traumatic as widowhood. There is no partner, no breadwinner, no friend, instead there is an adversarial situation where each is trying to get as much as they can financially".

That can be, and is, an horrific position in many cases—especially for the partner who has no on-going salary or pension provision for the future. As Fairshares says, the situation is particularly bad for older women, who may have had no opportunity to build their own pension rights through employment because of child care and family responsibilities. Those women—many of whose children have grown up and left home—face many other problems also, including social isolation, which is made worse by a lack of finance. The average total retirement income of divorced women is £65 per week. In 1993, 80 per cent. of the 1.5 million income support claimants over state pensionable age were women. The Government already face a considerable cost.

Under existing trust law, a wife loses all her rights to her husband's pension upon divorce. We believe that our new clauses will assist the courts in quantifying the pension assets of partners through the pension-splitting process. It will not be the panacea that cures all ills, but it is a significant step in the right direction. Splitting pensions has the advantage of apportioning to a deposed or disposed-of partner a capital sum that may be passed to a pension provider if that is the required option.

As has been said, that arrangement would fit in well with the clean-break settlement philosophy that the Government claim to believe in. The procedure and calculations for splitting would not be a disaster from the point of view of individual pension funds and they would not disadvantage the Treasury in the long term. The extravagant figures cited by the noble Lord Mackay of Ardbrecknish in the other place have been extensively dismantled by notable experts such as Mr. Geoffrey Wilson, an ex-Government Actuary and a partner in Binder Hamlyn.

A Pensions Management Institute report of May 1993 opted decisively in favour of splitting, and a wide range of organisations have come to the same conclusion. The Equal Opportunities Commission said:

"Any new legislation should be based on the now established clean break principle which underlies the current legislation on divorce settlement. It is important that a share in an ex-spouse's pension is not regarded as a form of deferred maintenance".

The Law Society is also in favour of the Labour party's arguments. The Solicitor's Family Law Association, the Institute of Actuaries—despite some differences about the details—and the National Association of Pension Funds take the same line and have said so publicly. However, as usual, the Government have not gone far enough and, as in so many policy areas, have missed the opportunity to do what is right and fair. The Government have stalled for too long. Their proposal is too complex and it does not address the core needs of those involved.

Earmarking makes no provision for the death of an ex-husband and would prove far more costly in administrative terms. It would not offer a clean break, with calculations having to be made for many years after divorce and all the agonising difficulties that bringing people together would bring. One cannot argue for parental responsibility with regard to child support provision and then not be consistent in ensuring that the same responsibilities are applied to dependent partners who are divorcing. The law must reflect the changing face of our society and be adequate to meet people's needs. Pension splitting would allow people to get on with their lives, independent of their former partners. We believe that the Minister should reconsider the proposal.

Organisations and professionals in the industry have said that pension splitting is the best option. As has been said, the Bill has reached Report stage very quickly after the conclusion of consideration in Committee. However, it is important that we do what is right. The Bill, which is very long and complex, must put the statute right because we are not sure when we shall return to the issue in future—albeit that the Minister has said that he is prepared to examine the survey results with a view to future legislation.

We believe that our new clauses are appropriate and right and have the support of the majority of people. We urge the Minister to reconsider his decision.

Mr. Clifford Forsythe (Antrim, South): I am sure that my colleagues will agree that some of the saddest and most difficult cases with which we deal in our constituency offices involve divorce. There are a number of reasons why that is so. Partners often disagree about property, children and, recently, about the Child Support Agency. The current pension situation will now be added to those problems.

Dreadful bitterness arises in many divorces, and sometimes children are used as pawns by one partner to get at the other. The situation that the House produced with the creation of the CSA has made matters worse. If it is now suggested that it is agreed by almost everyone that a former wife should be entitled to part of her former husband's pension, but only in the dim and distant future, we shall add to the burden of difficulty and anger. Divorce makes life hard enough for the children of a broken marriage without adding to it.

7 pm

It would seem fair, equitable and reasonable that when a divorce goes to court, the judge should review the circumstances and make a decision at that time. That way, the pension issue could be put to one side, which would at least do away with some of the anger and frustration that surround a divorce. I ask the Minister to reconsider even at this late stage. Hon. Members, for all the best reasons, missed certain opportunities with the child support legislation. Let us not make the same mistake again, but decide that new clause 1 represents the best thing to do.

Mrs. Helen Liddell (Monklands, East): I am conscious that a number of my hon. Friends wish to contribute to the debate, because the subject is of considerable interest. We have all been lobbied extensively on pensions and divorce. My hon. Friend the Member for Glasgow, Garscadden (Mr. Dewar) spoke at length and most ably, and I support his detailed, reasoned and sensible line.

We are seeing the consequences of the Government being caught on the hop. For the past 10 years there has been pressure to rectify anomalies in the treatment of people after divorce. I accept the Minister's point that we must aim at gender neutrality, but the reality is that the vast majority of persons disadvantaged by the current situation are women, and women's organisations have been at the forefront in lobbying.

[Mrs. Helen Liddell]

Opposing new clause 1—and one understands the Government not being interested, because that new clause took the argument further along the road than they want to go—the Minister referred to costs, complexity and fairness. The costs issue gives me cause for concern. There was lengthy consideration of the Bill, which spent 10 weeks in Committee. There was also the Bill's gestation period, the Goode report and that of the Social Security Select Committee, and the aftermath of various frauds and misappropriations affecting pension funds. There has been public demand for a review of pension funds. It is, therefore, regrettable that there is a sense that certain clauses have been cobbled together. The Government, having been caught on the hop in respect of pensions and divorce, have not thought through the matter properly and logically.

In Committee on 22 June, the Minister explained that the estimated cost of allowing pensions to be split by all married couples was £1.3 billion in the first full year. I am grateful to the Minister for advising the Committee that the figure had been rechecked by the Inland Revenue, when the estimate fell dramatically to £600 million—a substantial change. In view of the Minister's comments this afternoon, it appears that the figure has now fallen to £500 million.

Mr. Arbuthnot *indicated dissent.*

Mrs. Liddell: The Minister shakes his head, but I understood him to say that £200 million would be lost in tax revenue and £300 million would be lost as a consequence of unfunded public sector schemes.

Mr. Arbuthnot: The latter was £500 million.

Mrs. Liddell: I stand corrected. That makes a total of £700 million. I would like much greater analysis of those figures. Having served an extended period before the legislative mast, as a member of the Committee on the Finance Bill prior to being a member of the Committee that considered the Pensions Bill, I cannot believe that it is beyond the wit of the Treasury to recoup some money.

Mr. Arbuthnot: I hope that it will help the hon. Lady if I set out the figures. The figure of up to £200 million is the amount of tax revenue that could be lost as a result of direct pension splitting, but it would grow over time. The figure of up to £500 million is the potential immediate cost of splitting pensions in relation to unfunded public sector pension schemes. The figure of £600 million relates to the immediate cost—it would eventually grow to £1.3 billion—of giving the same sort of tax breaks to married couples as the pension-splitting effect would give divorced couples.

Mrs. Liddell: I am grateful to the Minister. We are always grateful to the Government for fiscal prudence. In fact, our Whip is always careful to ensure that similar prudence is exerted by ourselves. The sum mentioned by the Minister is exactly the same that the Government spent on reorganising Scottish local government, which nobody wanted. The Government took that action in the hope that it would benefit them in some way, but instead they suffered the most humiliating result ever. If that is an example of the Government's fiscal prudence, I invite them to think again.

The Bill is unbelievably complex, and its very complexity deliberately confuses. The complex nature of pension law prior to the Bill was always a problem. Complexity was debated in detail in Committee, when my hon. Friend the Member for Garscadden greatly advanced the knowledge of Committee members, as he often does. He quoted from an article in *New Law Journal* by Maggie Rae, a matrimonial partner with Mishcon de Reya:

> "Pension splitting is not complicated. Since 1988 it has been possible to transfer a pension from one fund to another, say when a person changes jobs."—[*Official Report, Standing Committee D*, 22 June 1995; c. 789.]

The mechanism is not complex, so I fail to comprehend why the Government favour earmarking over splitting, when people who have no party political axe to grind make it clear that there is no question of undue complexity.

The Minister spoke also of fairness, which is at the heart of my hon. Friend's new clause. Until debate in another place—and I pay tribute to my noble Friend Lady Hollis—there existed the concept of women as chattels, even after divorce. Women lost control over their pensions because an ex-spouse, out of spite, could make sure that no pension or flexibility was available, which would allow the prudent person to plan ahead. It is important in the interest of fairness that those matters are considered. It is regrettable that the Government have not been more imaginative.

New clause 2 draws our attention to insurance. It is intriguing that the Government speak with forked tongue. On many occasions, the Prime Minister has commended private insurance for what it can do to protect the mortgages of those who are unfortunate enough to become unemployed. Yet when we are seeking to enforce prudence on those who are walking away from a marriage, voluntarily or involuntarily, we find that such enforcement is not acceptable and, indeed, would be far too costly to implement.

I was heartened to some extent by the Minister's rather evasive response to the hon. Member for Roxburgh and Berwickshire (Mr. Kirkwood) about the research that the Government are undertaking. I would be grateful if the Minister were to provide greater elucidation on the direction that the Government are planning to take.

We must be conscious of the signal that we are giving to the outside world. The complexity of pensions is a major inhibiting factor when it comes to people planning prudently and wisely for their retirement. We have not managed to overcome that problem during our consideration of the Bill.

The Government should have taken the opportunity to think again. Social trends suggest that by the year 2025, 13 per cent. of divorced women will be more than 60 years of age as against 3 per cent. in 1985. Those of us who are conscious that the sittings of the House relate more to English school holidays than to those holidays in Scotland might be concerned about joining that band by 2025, if longevity allows. The Government must take into account changing social trends.

We have had 10 years in which to think about how pensions and divorce should be considered. The new clause moves us further on. It seems that the Government have been bounced and that they have not done justice to the extensive and widespread lobbying of those who are likely to be affected by the proposals that we are considering.

Mr. Geoffrey Hoon (Ashfield): I congratulate my hon. Friend the Member for Monklands, East (Mrs. Liddell) on the quality of her speech. I have no doubt that she was encouraged to make it by the assiduous efforts of my hon. Friend the Member for Leeds, East (Mr. Mudie).

Pension rights have become the most important matrimonial asset for a significant number of divorcing couples. They have become more valuable, perhaps, than the matrimonial home. Yet despite the financial significance of pensions, they have been insufficiently appreciated by those advising on financial arrangements after divorce. We can compare the growing appreciation of professional advisers of the importance of pension assets with the development of the law on the division of the matrimonial home.

Traditionally, the matrimonial home was in the husband's name. That was because, traditionally, the husband went to work and made the mortgage payments each month. Given a growing recognition of the contribution in kind that was made by the wife, the courts eventually developed ways around the clear terms of the conveyance into the husband's sole name. That gave the divorced wife some interest in the former matrimonial home. Eventually the law, as made by Parliament, reflected that change and allowed courts a wide range of discretion in disposing appropriately of the asset of the matrimonial home.

This debate should be about giving the courts similar comprehensive powers to deal with that other significant financial asset, the pension. Our debates in Committee, and again today, have focused on how to deal with the pension, and have been characterised by three different approaches. First, there is what might be described as the compensatory approach, which means balancing the value of pension rights against non-pension assets. Secondly, there is the earmarking approach, which means deferring pension rights until the ex-spouse reaches retirement age. Thirdly, there is pension splitting.

The first option of balancing the various assets available to the spouses has, in effect, always been allowed under the Matrimonial Causes Act 1973. It has, however, significant disadvantages. It is difficult to calculate the exact amount of compensation that should be provided for the non-pension-paying spouse. One party may end up receiving a disproportionate share of the matrimonial home, but a poor pension. There may be insufficient assets to enable transfer from one spouse to the other. As a result, the debate has turned towards the Government's approach contained in clause 164, which would amend the Matrimonial Causes Act and allow for earmarking. Balanced against that is new clause 1, which sets out practical proposals for pension splitting.

7.15 pm

There is no doubt that earmarking is an improvement on the present position. It would not alter the total sum to be paid out by a pension scheme. It would at least allow the courts to award a pension to an ex-spouse on retirement as long as the scheme member is still receiving a pension. It would save the court making complex calculations in balancing the parties' various financial interests.

There are still problems, especially in the failure to observe the clean-break principle. It is now well established that where possible it is attractive to the parties that they be allowed to continue to lead their lives independently. That is what divorcing couples decide to do. As far as possible, the courts' approach should be to permit those couples to do so without continuing financial entanglements.

Earmarking means that where one spouse fails to pay his or her share there may be a necessity to return to court to enforce any order of the court relating to the pension. That is a particularly unfortunate consequence of earmarking. It means that there will always be a continuing connection between the former parties to the marriage. It means also that the former partner depends on the member spouse surviving to retirement. We have already heard of the difficulties that that involves.

In failing to observe the clean-break principle, there is considerable uncertainty about the level of retirement income. That means that individuals have difficulty in planning their future, including their retirement. That is why I hope that even at this stage the Government may still be considering the possibility of pension splitting. The Minister has already referred to surveys and investigations. We were much enlightened in Committee about the various surveys that the Government have conducted. As the reality is that there will not be further pension legislation in the near future, I hope that the Government will have some sympathy with the idea of pension splitting. It is a principle that supports the idea of a clean break. It would give former married partners the possibility of leaving their defunct marriage to go their own separate ways without being financially dependent on each other. With pension splitting, there would be no need for them, by and large, to depend on a continuing relationship with the former spouse.

Pension splitting has regard to the modern world of work, in which people are likely to pursue a series of occupations with a series of different pensions. That was the underlying theme of all that we discussed in Committee. That theme recognises the modern world of relationships, in which people have a series of different relationships and may well, therefore, have a series of different pensions on which they depend. That is something to which pension splitting gives recognition.

It follows that it would be sensible to take into account the contribution that is made by the non-member spouse in terms of the length of the marriage. It would appear to be possible to consider the contribution that has been made during the course of the marriage and to account for that financially in a split pension.

The Government's objections were set out thoroughly in Committee and again by the Minister today. The Minister is concerned about the cost, the complexity of any arrangements and the fairness of treatment between married and divorced couples. Cost is based on losses to the Exchequer in the form of lost tax revenue and the potential cost of transfers from unfunded public sector schemes.

I shall return to the tax implications in a moment, but it does not seem particularly complex for a pension fund to calculate a transfer value at the time of divorce. That transfer value can then be divided as appropriate, according to the length of the marriage, recognising that some people may have paid into a pension fund before the marriage. It seems perfectly straightforward to calculate the contribution in kind by the non-member spouse at the time of divorce. In those circumstances, I

[Mr. Geoffrey Hoon]

cannot see that pension splitting is necessarily any more complicated or difficult than earmarking, which the Government appear to advocate.

I accept, however, that there are more substantial problems in respect of cost and I would be interested to hear the Minister's observations as to whether the substantial argument from the Government is based on complexity, or whether it is a disguised way of saying that they are concerned about the cost.

Obviously, there are potential costs of pension splitting. The substantial cost is likely to involve unfunded public service schemes, but that assumes a transfer at the time of divorce from the ex-spouse's share in the unfunded public sector scheme. Why not simply enrol the former spouse in the public sector scheme? That person would then receive a pension from the unfunded public sector scheme according to the length of time that they were eligible to receive such a pension, without involving the Exchequer in any substantial payout. I cannot see how it involves any greater cost to the public sector than would be the case if they had continued to be married and received a pension on retirement. Simply to put the former spouse into the pension scheme, with a guaranteed right to a pension on retirement, would not seem to involve any extra expenditure from the revenue.

In respect of tax losses, I am grateful that the Minister appears to have revised down the original assessment of £300 million to £200 million. The first element of that cost appears to result from the splitting of personal allowances. If I understood the Minister's argument properly, the divorced couple would claim two personal allowances instead of the one that formerly would have been available to the person in receipt of the pension. I should be grateful if the Minister would comment on that calculation. It assumes that the non-earning spouse on retirement has no other income and, therefore, does not take up her—as it is likely to be the woman—personal allowance. That does not appear to be the most realistic approach. It is likely that that person will be entitled, for example, to a state pension which will take up all the personal allowance on retirement. If that assumption is correct, as more and more women are entitled to the state pension and, therefore, use up their personal allowance with the state pension, I assume that the costs of pension splitting would correspondingly diminish and might not increase in the way that the Minister has suggested.

The second cost has been said to be the potential consequence of former spouses making extra tax-deductible contributions to top up their divided pension. Surely there are straightforward means of ensuring that a spouse does not claim more tax relief than that to which he or she is entitled. If that is likely to be a serious cost to the revenue, I assume that it is possible to produce regulations to limit the effect of that potential topping up. On the assumption that the topping up would be only within the existing revenue rules, it is unlikely to be a significant cost.

The third cost was in respect of fairness. The Minister felt that it might be necessary to give benefits to married couples on retirement to put them in the same position as divorced couples. The cost has been estimated at £600 million, but I cannot see any reason why it should be necessary. The law on taxation already treats married couples significantly differently from single couples. There are arguments for many married couples to divorce and take advantage of the various allowances that then would be available to them, so I am not clear why we should take a different view of couples in retirement receiving a pension. That fairness argument is not nearly so substantial as the Minister suggests.

The real benefits of splitting as against earmarking seem to be in terms of simplicity and fairness. It provides a clean break, it allows both former partners to take benefits when they need them, and it assures ex-spouses a pension when they need it. That is an attractive argument in favour of splitting.

Ms Church: We have heard several excellent speeches from Opposition Members, and I shall add just a few words. Opposition Members recognise that thousands of women—and some men—up and down the country are watching the outcome of the debate, but it is mainly women because, at the end of the day, it is mainly women who will benefit from our amendment.

The normal pattern of life for many women will involve divorce, as my hon. Friend the Member for Bradford, South (Mr. Sutcliffe) said earlier. We should not pretend that it is an undesirable social change. We cannot hide our heads in the sand and pretend that it has not happened. It has happened and the Government have recognised it in their proposals for earmarking.

Tonight's debate is clearly between a clean break and earmarking. It is a debate about what thousands of women want and what the Government choose to deny them. Women earn pensions in their own right, but those pensions are often very small or virtually non-existent, and we all know the reasons for that. Many women do not earn at all because they care for children and have other caring responsibilities. Even when they work, there is still gross inequality in earnings. Women have broken periods of employment because they devote time to bringing up their children and, increasingly, to the care of elderly and dependent relatives. All those issues are interrelated. In practice, few women have adequate pensions in their own right. Following a divorce, women often do not have pensions appropriate to the standard of living to which they became accustomed during married life.

As many Opposition Members have already said, divorce is a painful emotional experience. The circumstances giving rise to it can be long drawn out, as can the process of the divorce itself and its aftermath. The Government must recognise that social change; they cannot turn back the clock. Not only do many marriages end in divorce, but many second and subsequent marriages also end in divorce.

The Government's earmarking option will leave thousands of women once or twice divorced without a clean break. They will be unable to put marriage behind them and plan a new life in full and complete independence. In their later years, they will have to track down their benefits, as my hon. Friend the Member for Leyton (Mr. Cohen) said. They may have to find various pension schemes in which small sums of money are buried because their former partners had many different employments. It is totally unrealistic to expect elderly women, often burdened by many other problems, to undertake time-consuming tasks which are often a bureaucratic nightmare simply to claim what is rightly theirs. Why should they have to do that when they may be

suffering from ill health or other detriment or incapacity? Women do not want the Government's inadequate option; increasingly they recognise that it is a mealy-mouthed measure—another example of the Government's failure to understand what modern women want and deserve.

The women concerned know that pensions are deferred pay and that they are entitled to the money. When they divorce they want to be sure that, as part of the divorce settlement, they will know exactly what their pension rights are. They also want to know that the money is theirs, and is in their name, so that they can do with it what they want.

Surely the Government—I understand that at the moment they are a reshuffled, or rather, a reshuffling Government—can bring their great mind to bear on trying to overcome the difficulties of bringing about a clean break. As my hon. Friend the Member for Monklands, East (Mrs. Liddell) said, many people in the financial and pensions world realise that that is achievable, so that women who want a fair and equitable settlement can pick up the strands of their lives after divorce.

The Minister's explanation of the Government's failure to rise to the challenge was unusually foggy—if that is not too unparliamentary an expression, Mr. Deputy Speaker. We do not accept that explanation, and neither will our constituents. They want a modern pensions law—something clear on the statute book that will ensure that when they go through the painful process of divorce the law does not add to the pain and uncertainty of their future lives.

7.30 pm

When will the Government recognise that we are now becoming a nation of multi-marriages—or at least two marriages in many cases? When will they admit that marriage for a lifetime is not what is actually happening to everybody and therefore provide clarity in pensions law? To protest that they cannot do that does not wash, and thousands of women know that it is wrong. It is an appalling failure to recognise what women want and to provide it.

We shall return to the matter another time, but it will not be while the Minister and his friends occupy the Government Benches. We can be clear about that tonight: the moment will come, and I believe that it will come soon.

Mr. Arbuthnot: From the mood of the House I sense that we feel that we have heard the arguments on both sides. They have been developed in another place, further developed in Committee and developed even further by the amendments that we have now tabled.

It is important to remind the House what we are doing. We are giving the courts important extra powers which we believe that they will value, and which will be especially valuable to women going through divorce. The position of such women will be significantly strengthened. I commend the Government's proposals to the House.

Question put and agreed to.

Clause read a Second time, and added to the Bill.

New clause 1

PENSIONS ON DIVORCE, ETC.

'In the Matrimonial Causes Act 1973, after section 24A there is inserted—

"Pensions

24B—(1) On granting a decree of divorce, a decree of nullity of marriage or a decree of judicial separation or at any time thereafter (whether, in the case of a decree of divorce or of nullity of marriage, before or after the decree is made absolute), the court may make a pensions adjustment order (referred to in this section as "an order") for the benefit of a party to the marriage.

(2) An order shall where the court so determines bind a person who is not a party to the marriage but who is liable to pay any benefit under a pension scheme to a party to the marriage or any successor to such a person.

(3) An order is an order adjusting the rights and benefits to which either party to the marriage is or may become entitled to under any pension scheme and in particular the court may by such an order require—

(a) either party to the marriage to pay to the other such lump sum or sums as may be specified in the order (without prejudice to any other order which may be made under section 23(1) or (3)); or

(b) the administrator of a pension scheme to treat the party to the marriage in favour of whom the order is to be made as a member of the pension scheme in relation to such benefits as may be specified in the order which were acquired by the other party to the marriage before the decree of divorce or nullity was made absolute or before the decree of judicial separation, or

(c) the administrator of a pension scheme to make such payment or payments as may be specified in the order into such other pension schemes as may be nominated by the party to the marriage in favour of whom the order is made, or

(d) the administrator of a pension scheme to pay such part of any pension as may be specified in the order to the party in favour of whom the order is made for such term as may be specified not extending beyond the death of either party to the marriage, or

(e) the administrator of a pension scheme to pay such part of any dependant's pension as may be specified in the order to the party in favour of whom the order is made for such term as may be specified beginning with the death of the other party to the marriage and not extending beyond the death of the party in whose favour the order is made, or

(f) either party to the marriage to pay such administrative costs incurred by the administrator of the pension scheme in responding to any application for an order or in implementing an order.

(4) An order shall not be made—

(a) under subsection (3)(b) above unless the administrator of the pension scheme consents to membership of the pension scheme for the party to the marriage who is not already a member of the pension scheme, or

(b) under subsection (3)(c) above unless the court is satisfied that the administrator of the pension scheme nominated by the party in whose favour the order may be made has agreed to accept such payment or payments, and in the event of the administrator being unwilling to accept such payment or payments he may be required to notify the parties to the marriage and the court.

(5) It shall be the duty of the court in deciding whether to exercise its powers under this section and, if so, in what manner to have regard in particular to—

(a) the matters referred to in section 25 save for the words "in the foreseeable future" in section 25(2)(a), (b) and (f), and

(b) the effect that child care or other domestic responsibilities have had or will have on the ability of each of the parties to the marriage to make provision for his retirement, and

(c) any administrative complexity or cost to the administrator of the pension scheme.

(6) The Secretary of State in agreement with the Lord Chancellor shall by regulations provide for the date and method of valuation to be applied by the court to rights under a pension scheme when making an order and to provide for notice of any application for an order to be given to the administrator of the pension scheme.

(7) The Secretary of State may by regulations make such provision as may be appropriate to meet the special circumstances of unfunded public sector schemes by varying or excluding the powers of the court under this section.

(8) Nothing in the provisions mentioned in subsection (9) below applies to a court exercising its powers under this section.

(9) The provisions referred to in subsection (8) are—

(a) section 203(1) and (2) of the Army Act 1955, section 203(1) and (2) of the Air Force Act 1955, section 128G(1) and (2) of the Naval Discipline Act 1957 or section 159(4) of the Pension Schemes Act 1993 (which prevent assignment or orders being made restraining a person from receiving anything which he is prevented from assigning);

(b) section 84 of the Pensions Act 1995;

(c) any provision for any enactment corresponding to any of the enactments mentioned in paragraphs (a) and (b); and

(d) any provision of the pension scheme in question.

(10) the making of an order shall in no circumstances form the basis of any decision made by the Commissioners of Inland Revenue to remove the exempt approved status or to alter the tax status of a pension scheme provided that—

(a) the party to the marriage in whose favour an order has been made shall be treated for the purpose of retention of benefits as the member; and

(b) the maximum benefits payable to and in respect of the party to the marriage whose rights have been varied by the order shall be limited to the benefits that would have been payable if the order had not been made.

(11) No order or orders shall be made which shall have the effect of increasing the liabilities of any pension scheme beyond those which might have been incurred had the parties to the marriage remained married until the death of the party against whom the order is to be made.

(12) After paragraphs (2)(f) of section 31 there shall be inserted:

"(g) any order made under section 24B(3)(d) or (e) above"

(13) After subparagraph (ii) in section 35(2) there shall be inserted:

"or (iii) by adjusting the rights and benefits to which either party to the marriage is or may become entitled under any pension scheme."

(14) Nothing in this section shall affect any proceedings commenced before the commencement of this section.

(15) In this section—

"administrator" means the trustees of an occupational pension scheme or the administrators or managers of such a scheme in the absence of trustees or the administrators or managers of a personal pension plan;

"member" means a member of an occupational pension scheme or a person having a personal pension plan or retirement benefit plan or other similar arrangement; and

"pension scheme" means an occupational pension scheme or personal pension scheme or retirement benefit plan or other similar arrangement.'.—*[Mr. Dewar.]*

Brought up, and read the First time.

Motion made, and Question put, That the clause be read a Second time:—

The House divided: Ayes 247, Noes 292.

Division No. 193] **[7.30 pm**

AYES

Abbott, Ms Diane
Adams, Mrs Irene
Ainger, Nick
Ainsworth, Robert *(Cov'try NE)*
Alton, David
Armstrong, Hilary
Ashton, Joe
Banks, Tony *(Newham NW)*
Barnes, Harry
Barron, Kevin
Battle, John
Bayley, Hugh
Beckett, Rt Hon Margaret
Beggs, Roy
Bell, Stuart
Benn, Rt Hon Tony
Bennett, Andrew F
Bermingham, Gerald
Berry, Roger
Betts, Clive
Blunkett, David
Boateng, Paul
Bray, Dr Jeremy
Brown, N *(N'c'tle upon Tyne E)*
Bruce, Malcolm *(Gordon)*
Burden, Richard
Byers, Stephen
Cabom, Richard
Callaghan, Jim
Campbell, Mrs Anne *(C'bridge)*
Campbell, Ronnie *(Blyth V)*
Campbell-Savours, D N
Cann, Jamie
Carlile, Alexander *(Montgomery)*
Chidgey, David
Chisholm, Malcolm
Church, Judith
Clapham, Michael
Clark, Dr David *(South Shields)*
Clarke, Tom *(Monklands W)*
Clelland, David
Clwyd, Mrs Ann
Coffey, Ann
Cohen, Harry
Connarty, Michael
Corbett, Robin
Corbyn, Jeremy
Corston, Jean
Cousins, Jim
Cummings, John
Cunliffe, Lawrence
Cunningham, Jim *(Covy SE)*
Cunningham, Roseanna
Dalyell, Tam
Darling, Alistair
Davidson, Ian
Davies, Bryan *(Oldham C'tral)*
Davies, Rt Hon Denzil *(Llanelli)*
Davies, Ron *(Caerphilly)*
Davis, Terry *(B'ham, H'dge H'l)*
Denham, John
Dewar, Donald
Dixon, Don
Dobson, Frank
Donohoe, Brian H
Dowd, Jim
Dunnachie, Jimmy
Dunwoody, Mrs Gwyneth
Eagle, Ms Angela
Eastham, Ken
Etherington, Bill
Evans, John *(St Helens N)*
Ewing, Mrs Margaret
Fatchett, Derek
Faulds, Andrew
Field, Frank *(Birkenhead)*
Flynn, Paul
Forsythe, Clifford *(S Antrim)*
Foster, Rt Hon Derek
Foster, Don *(Bath)*
Foulkes, George
Fraser, John
Fyfe, Maria
Galloway, George
Garrett, John
Gerrard, Neil
Godman, Dr Norman A
Godsiff, Roger
Golding, Mrs Llin
Gordon, Mildred
Graham, Thomas
Grant, Bernie *(Tottenham)*
Griffiths, Win *(Bridgend)*
Grocott, Bruce
Gunnell, John
Hain, Peter
Hall, Mike
Harman, Ms Harriet
Hattersley, Rt Hon Roy
Henderson, Doug
Hill, Keith *(Streatham)*
Hinchliffe, David
Hodge, Margaret
Hoey, Kate
Hogg, Norman *(Cumbernauld)*
Home Robertson, John
Hood, Jimmy
Hoon, Geoffrey
Howarth, George *(Knowsley North)*
Howells, Dr. Kim *(Pontypridd)*
Hoyle, Doug
Hughes, Kevin *(Doncaster N)*
Hughes, Robert *(Aberdeen N)*
Hughes, Roy *(Newport E)*
Hutton, John
Illsley, Eric
Ingram, Adam
Jackson, Glenda *(H'stead)*
Jackson, Helen *(Sheffld, H)*
Jamieson, David
Janner, Greville
Johnston, Sir Russell
Jones, Barry *(Alyn and D'side)*
Jones, Ieuan Wyn *(Ynys Môn)*
Jones, Lynne *(B'ham S O)*
Jones, Martyn *(Clwyd, SW)*
Jones, Nigel *(Cheltenham)*
Jowell, Tessa
Keen, Alan
Kennedy, Jane *(L'pool Br'dg'n)*
Khabra, Piara S
Kilfoyle, Peter
Kirkwood, Archy
Lestor, Joan *(Eccles)*
Lewis, Terry
Liddell, Mrs Helen
Litherland, Robert
Livingstone, Ken
Lloyd, Tony *(Stretford)*
Llwyd, Elfyn
Loyden, Eddie
Lynne, Ms Liz
McAllion, John
McAvoy, Thomas
McCartney, Robert
Macdonald, Calum

McFall, John
McKelvey, William
Mackinlay, Andrew
McLeish, Henry
Maclennan, Robert
McMaster, Gordon
McNamara, Kevin
MacShane, Denis
McWilliam, John
Madden, Max
Mandelson, Peter
Marek, Dr John
Marshall, David *(Shettleston)*
Marshall, Jim *(Leicester, S)*
Martin, Michael J *(Springburn)*
Martlew, Eric
Maxton, John
Meale, Alan
Michie, Bill *(Sheffield Heeley)*
Michie, Mrs Ray *(Argyll & Bute)*
Milburn, Alan
Miller, Andrew
Molyneaux, Rt Hon James
Morgan, Rhodri
Morris, Rt Hon Alfred *(Wy'nshawe)*
Morris, Estelle *(B'ham Yardley)*
Mowlam, Marjorie
Mudie, George
Mullin, Chris
Murphy, Paul
O'Brien, Mike *(N W'kshire)*
O'Brien, William *(Normanton)*
Olner, Bill
O'Neill, Martin
Orme, Rt Hon Stanley
Parry, Robert
Pearson, Ian
Pickthall, Colin
Pike, Peter L
Pope, Greg
Powell, Ray *(Ogmore)*
Prentice, Bridget *(Lew'm E)*
Prentice, Gordon *(Pendle)*
Prescott, Rt Hon John
Primarolo, Dawn
Purchase, Ken
Quin, Ms Joyce
Radice, Giles
Randall, Stuart
Raynsford, Nick
Reid, Dr John
Rendel, David
Robertson, George *(Hamilton)*
Robinson, Geoffrey *(Co'try NW)*
Roche, Mrs Barbara
Rogers, Allan
Rooker, Jeff
Rooney, Terry
Ross, Ernie *(Dundee W)*
Ross, William *(E Londonderry)*
Ruddock, Joan
Salmond, Alex
Sedgemore, Brian
Sheerman, Barry
Sheldon, Rt Hon Robert
Short, Clare
Simpson, Alan
Skinner, Dennis
Smith, Andrew *(Oxford E)*
Smith, Llew *(Blaenau Gwent)*
Smyth, The Reverend Martin
Snape, Peter
Spearing, Nigel
Spellar, John
Squire, Rachel *(Dunfermline W)*
Steel, Rt Hon Sir David
Steinberg, Gerry
Stevenson, George
Sutcliffe, Gerry
Taylor, Mrs Ann *(Dewsbury)*
Taylor, Matthew *(Truro)*
Timms, Stephen
Tipping, Paddy
Touhig, Don
Turner, Dennis
Tyler, Paul
Walker, Rt Hon Sir Harold
Wallace, James
Walley, Joan
Wardell, Gareth *(Gower)*
Watson, Mike
Welsh, Andrew
Williams, Rt Hon Alan *(Sw'n W)*
Williams, Alan W *(Carmarthen)*
Wilson, Brian
Winnick, David
Wise, Audrey
Worthington, Tony
Wray, Jimmy
Wright, Dr Tony
Young, David *(Bolton SE)*

Tellers for the Ayes:
Mr. Jon Owen Jones and
Mr. Eric Clarke.

NOES

Ainsworth, Peter *(East Surrey)*
Aitken, Rt Hon Jonathan
Alexander, Richard
Alison, Rt Hon Michael *(Selby)*
Allason, Rupert *(Torbay)*
Amess, David
Ancram, Michael
Arbuthnot, James
Arnold, Jacques *(Gravesham)*
Arnold, Sir Thomas *(Hazel Grv)*
Ashby, David
Atkins, Rt Hon Robert
Atkinson, David *(Bour'mouth E)*
Atkinson, Peter *(Hexham)*
Baker, Nicholas *(North Dorset)*
Baldry, Tony
Banks, Matthew *(Southport)*
Bates, Michael
Batiste, Spencer
Bellingham, Henry
Bendall, Vivian
Beresford, Sir Paul
Biffen, Rt Hon John
Bonsor, Sir Nicholas
Booth, Hartley
Bottomley, Peter *(Eltham)*
Bottomley, Rt Hon Virginia
Bowden, Sir Andrew
Bowis, John
Boyson, Rt Hon Sir Rhodes
Brandreth, Gyles
Brazier, Julian
Bright, Sir Graham
Brown, M *(Brigg & Cl'thorpes)*
Browning, Mrs Angela
Bruce, Ian *(Dorset)*
Budgen, Nicholas
Burns, Simon
Burt, Alistair
Butcher, John
Butler, Peter
Butterfill, John
Carlisle, John *(Luton North)*
Carlisle, Sir Kenneth *(Lincoln)*
Carrington, Matthew
Carttiss, Michael
Cash, William
Channon, Rt Hon Paul
Churchill, Mr
Clappison, James
Clark, Dr Michael *(Rochford)*
Clarke, Rt Hon Kenneth *(Ru'cliff)*
Clifton-Brown, Geoffrey
Coe, Sebastian
Colvin, Michael
Conway, Derek
Coombs, Anthony *(Wyre For'st)*
Cope, Rt Hon Sir John
Cormack, Sir Patrick
Couchman, James
Cran, James
Currie, Mrs Edwina *(S D'by'ire)*
Curry, David *(Skipton & Ripon)*
Davies, Quentin *(Stamford)*
Davis, David *(Boothferry)*
Day, Stephen
Deva, Nirj Joseph
Devlin, Tim
Dicks, Terry
Dorrell, Rt Hon Stephen
Douglas-Hamilton, Lord James
Dover, Den
Duncan, Alan
Duncan-Smith, Iain
Dunn, Bob
Durant, Sir Anthony
Dykes, Hugh
Eggar, Rt Hon Tim
Elletson, Harold
Evans, David *(Welwyn Hatfield)*
Evans, Jonathan *(Brecon)*
Evans, Nigel *(Ribble Valley)*
Evans, Roger *(Monmouth)*
Evennett, David
Faber, David
Fabricant, Michael
Fenner, Dame Peggy
Field, Barry *(Isle of Wight)*
Fishburn, Dudley
Forman, Nigel
Forsyth, Rt Hon Michael *(Stirling)*
Forth, Eric
Fowler, Rt Hon Sir Norman
Fox, Sir Marcus *(Shipley)*
Freeman, Rt Hon Roger
French, Douglas
Gale, Roger
Gallie, Phil
Gardiner, Sir George
Garel-Jones, Rt Hon Tristan
Garnier, Edward
Gillan, Cheryl
Goodson-Wickes, Dr Charles
Gorst, Sir John
Grant, Sir A *(SW Cambs)*
Greenway, Harry *(Ealing N)*
Greenway, John *(Ryedale)*
Griffiths, Peter *(Portsmouth, N)*
Gummer, Rt Hon John Selwyn
Hague, William
Hamilton, Rt Hon Sir Archibald
Hamilton, Neil *(Tatton)*
Hampson, Dr Keith
Hanley, Rt Hon Jeremy
Hannam, Sir John
Hargreaves, Andrew
Haselhurst, Sir Alan
Hawkins, Nick
Hawksley, Warren
Hayes, Jerry
Heald, Oliver
Heath, Rt Hon Sir Edward
Heathcoat-Amory, David
Hendry, Charles
Heseltine, Rt Hon Michael
Hicks, Robert
Higgins, Rt Hon Sir Terence
Hogg, Rt Hon Douglas *(G'tham)*
Horam, John
Hordern, Rt Hon Sir Peter
Howard, Rt Hon Michael
Howarth, Alan *(Strat'rd-on-A)*
Howell, Sir Ralph *(N Norfolk)*
Hughes, Robert G *(Harrow W)*
Hunt, Sir John *(Ravensbourne)*
Hunter, Andrew
Jack, Michael
Jackson, Robert *(Wantage)*
Jenkin, Bernard
Jessel, Toby
Johnson Smith, Sir Geoffrey
Jones, Gwilym *(Cardiff N)*
Jones, Robert B *(W Hertfdshr)*
Kellett-Bowman, Dame Elaine
Key, Robert
King, Rt Hon Tom
Kirkhope, Timothy
Knapman, Roger
Knight, Mrs Angela *(Erewash)*
Knight, Greg *(Derby N)*
Knight, Dame Jill *(Bir'm E'st'n)*
Knox, Sir David
Kynoch, George *(Kincardine)*
Lait, Mrs Jacqui
Lang, Rt Hon Ian
Lawrence, Sir Ivan
Legg, Barry
Leigh, Edward
Lennox-Boyd, Sir Mark
Lidington, David
Lightbown, David
Lilley, Rt Hon Peter
Lloyd, Rt Hon Sir Peter *(Fareham)*
Lord, Michael
Luff, Peter
Lyell, Rt Hon Sir Nicholas
MacGregor, Rt Hon John
MacKay, Andrew
Maclean, Rt Hon David
McLoughlin, Patrick
McNair-Wilson, Sir Patrick
Madel, Sir David
Maitland, Lady Olga
Major, Rt Hon John
Malone, Gerald
Mans, Keith
Marland, Paul
Marlow, Tony
Marshall, John *(Hendon S)*
Martin, David *(Portsmouth S)*
Mayhew, Rt Hon Sir Patrick
Merchant, Piers
Mills, Iain
Mitchell, Andrew *(Gedling)*
Mitchell, Sir David *(NW Hants)*
Moate, Sir Roger
Monro, Sir Hector
Montgomery, Sir Fergus
Moss, Malcolm
Nelson, Anthony
Neubert, Sir Michael
Newton, Rt Hon Tony
Nicholls, Patrick
Nicholson, David *(Taunton)*

Nicholson, Emma *(Devon West)*
Norris, Steve
Onslow, Rt Hon Sir Cranley
Oppenheim, Phillip
Ottaway, Richard
Page, Richard
Paice, James
Patnick, Sir Irvine
Patten, Rt Hon John
Pattie, Rt Hon Sir Geoffrey
Pawsey, James
Peacock, Mrs Elizabeth
Pickles, Eric
Porter, Barry *(Wirral S)*
Porter, David *(Waveney)*
Portillo, Rt Hon Michael
Powell, William *(Corby)*
Rathbone, Tim
Redwood, Rt Hon John
Renton, Rt Hon Tim
Richards, Rod
Riddick, Graham
Rifkind, Rt Hon Malcolm
Robathan, Andrew
Roberts, Rt Hon Sir Wyn
Robertson, Raymond *(Ab'd'n S)*
Robinson, Mark *(Somerton)*
Roe, Mrs Marion *(Broxbourne)*
Rowe, Andrew *(Mid Kent)*
Rumbold, Rt Hon Dame Angela
Ryder, Rt Hon Richard
Sackville, Tom
Sainsbury, Rt Hon Sir Timothy
Scott, Rt Hon Sir Nicholas
Shaw, David *(Dover)*
Shaw, Sir Giles *(Pudsey)*
Shephard, Rt Hon Gillian
Shepherd, Colin *(Hereford)*
Shepherd, Richard *(Aldridge)*
Shersby, Sir Michael
Sims, Roger
Smith, Tim *(Beaconsfield)*
Soames, Nicholas
Spencer, Sir Derek
Spicer, Sir James *(W Dorset)*
Spicer, Michael *(S Worcs)*
Spink, Dr Robert
Spring, Richard
Sproat, Iain
Squire, Robin *(Hornchurch)*
Steen, Anthony
Stephen, Michael
Stern, Michael
Stewart, Allan
Streeter, Gary
Sumberg, David
Sweeney, Walter
Sykes, John
Tapsell, Sir Peter
Taylor, Ian *(Esher)*
Taylor, John M *(Solihull)*
Taylor, Sir Teddy *(Southend, E)*
Thomason, Roy
Thompson, Sir Donald *(C'er V)*
Thompson, Patrick *(Norwich N)*
Thornton, Sir Malcolm
Thurnham, Peter
Townend, John *(Bridlington)*
Townsend, Cyril D *(Bexl'yh'th)*
Tracey, Richard
Tredinnick, David
Trend, Michael
Trotter, Neville
Twinn, Dr Ian
Vaughan, Sir Gerard
Viggers, Peter
Waldegrave, Rt Hon William
Walker, Bill *(N Tayside)*
Waller, Gary
Ward, John
Wardle, Charles *(Bexhill)*
Waterson, Nigel
Watts, John
Wells, Bowen
Wheeler, Rt Hon Sir John
Whitney, Ray
Whittingdale, John
Widdecombe, Ann
Wiggin, Sir Jerry
Wilkinson, John
Willetts, David
Wilshire, David
Winterton, Mrs Ann *(Congleton)*
Winterton, Nicholas *(Macclesfield)*
Wolfson, Mark
Wood, Timothy
Yeo, Tim
Young, Rt Hon Sir George

Tellers for the Noes:
Mr. Sydney Chapman and
Dr. Liam Fox.

Question accordingly negatived.

Clause 164

PENSIONS ON DIVORCE, ETC.

Amendments made: No. 69, in page 121, line 32, leave out 'in the foreseeable future'.

No. 70, in page 121, line 38, at end insert—

'and, accordingly, in relation to benefits under a pension scheme, section 25(2)(a) above shall have effect as if "in the foreseeable future" were omitted'.

No. 71, in page 121, line 41, leave out 'in the foreseeable future'.

No. 72, in page 122, line 6, leave out from 'above' to end of line 11.

No. 73, in page 122, leave out lines 33 to 39 and insert—

'(7) Where the party with pension rights may require any benefits which he has or is likely to have under the scheme to be commuted, the order may require him to commute the whole or part of those benefits; and this section applies to the payment of any amount commuted in pursuance of the order as it applies to other payments in respect of benefits under the scheme.

Pensions: lump sums

25C.—(1) The power of the court under section 23 above to order a party to a marriage to pay a lump sum to the other party includes, where the benefits which the party with pension rights has or is likely to have under a pension scheme include any lump sum payable in respect of his death, power to make any of the following provision by the order.

(2) The court may—

(a) if the trustees or managers of the pension scheme in question have power to determine the person to whom the sum, or any part of it, is to be paid, require them to pay the whole or part of that sum, when it becomes due, to the other party,

(b) if the party with pension rights has power to nominate the person to whom the sum, or any part of it, is to be paid, require the party with pension rights to nominate the other party in respect of the whole or part of that sum,

(c) in any other case, require the trustees or managers of the pension scheme in question to pay the whole or part of that sum, when it becomes due, for the benefit of the other party instead of to the person to whom, apart from the order, it would be paid.

(3) Any payment by the trustees or managers under an order made under section 23 above by virtue of this section shall discharge so much of the trustees or managers liability in respect of the party with pension rights as corresponds to the amount of the payment.

Pensions: supplementary

25D.—(1) Where—

(a) an order made under section 23 above by virtue of section 25B or 25C above imposes any requirement on the trustees or managers of a pension scheme ("the first scheme") and the party with pension rights acquires transfer credits under another pension scheme ("the new scheme") which are derived (directly or indirectly) from a transfer from the first scheme of all his accrued rights under that scheme (including transfer credits allowed by that scheme), and

(b) the trustees or managers of the new scheme have been given notice in accordance with regulations,

the order shall have effect as if it has been made instead in respect of the trustees or managers of the new scheme; and in this subsection "transfer credits" has the same meaning as in the Pension Schemes Act 1993.

(2) Regulations may—

(a) in relation to any provision of sections 25B or 25C above which authorises the court making an order under section 23 above to require the trustees or managers of a pension scheme to make a payment for the benefit of the other party, make provision as to the person to whom, and the terms on which, the payment is to be made'.

No. 74, in page 122, line 42, leave out 'subsection (4)' and insert 'sections 25B and 25C'.

No. 75, in page 123, line 3, leave out 'subsection (4)' and insert 'sections 25B and 25C'.

No. 76, in page 123, line 16, at end insert

'and sections 25B and 25C above'.

No. 77, in page 123, line 28, leave out 'subsections (1) and (2)' and insert 'section 25B(1) and (2)'.

No. 78, in page 123, line 31, at end insert

'and sections 25B and 25C above—

' "the party with pension rights" means the party to the marriage who has or is likely to have benefits under a pension scheme and "the other party" means the other party to the marriage'.

No. 79, in page 123, line 47, leave out from 'section' to end of line 4 on page 124 and insert

'31 of that Act (variation, discharge, etc. of orders)—

(a) in subsection (2), after paragraph (d) there is inserted—

"(dd) any deferred order made by virtue of section 23(1)(c) (lump sums) which includes provision made by virtue of—

(i) section 25B(4), or

(ii) section 25C,

(provision in respect of pension rights)", and

(b) after subsection (2A) there is inserted—

"(2B) Where the court has made an order referred to in subsection (2)(dd)(ii) above, this section shall cease to apply to the order on the death of either of the parties to the marriage"'.

No. 80, in page 124, line 10, leave out 'in the foreseeable future'.

No. 81, in page 124, line 23, leave out '(8) of section 25B' and insert

'(7) of section 25B, and section 25C'.—*[Mr. Arbuthnot.]*

Clause 7

APPOINTMENT OF TRUSTEES

Mr. Ingram: I beg to move amendment No. 16, in page 5, line 7, at end insert—

'(1A) Where an application is received from the member nominated trustees of a scheme and where those member nominated trustees including any pensioner trustees selected by the members of the scheme comprise less than 50 per cent. of the total number of trustees the Authority may direct the trustees of the scheme to appoint an independent trustee to be drawn from a register of approved trustees to be compiled by the Authority.

(1B) The Authority shall establish and maintain a register of approved independent trustees.

(1C) Where a direction under Clause 7(1)(a) is not complied with, sections 3 and 10 apply to any trustee who has failed to take all such steps as are reasonable to secure compliance.'.

Mr. Deputy Speaker (Sir Geoffrey Lofthouse): With this, it will be convenient to discuss the following amendments: No. 1, in clause 16, page 9, line 39, at end insert—

'(6A) The arrangements must provide that when a scheme has more than 850 members, and pensioner members comprise a majority, one additional trustee shall be nominated, who shall be a pensioner member of that scheme.'.

No. 10, in clause 16, page 9, line 39, at end insert—

'(6A) The arrangements must provide that when a scheme has more than 500 members, one trustee shall be nominated who shall be a beneficiary of that scheme or a person approved by the beneficiaries of that scheme.'.

No. 11, in clause 17, page 10, leave out lines 4 to 30.

No. 12, in clause 17, page 10, line 9, after 'procedure', insert

'and are not rejected by at least 10 per cent. of active and pensioner members or by 5,000 such members, whichever is the lesser number.'

Mr. Ingram: In dealing with this group of amendments, I shall speak to amendments Nos. 16 and 1.

Amendments Nos. 16 and 1 set out to achieve very different objectives. Simply put, the purpose of amendment No. 16 is to provide a mechanism for member-nominated trustees in schemes with less than 50 per cent. of member-nominated trustees to ask the regulatory authority to appoint an independent trustee. If the grounds for that application satisfy the authority, the authority may direct the trustees of the scheme to appoint an independent trustee from a register of approved independent trustees.

Those of us who have spent weeks and months achieving a smattering of knowledge about the Bill will know that it already gives the regulatory authority considerable power to remove or suspend trustees in given circumstances: clauses 3, 4, 5 and 6 refer to those powers. Provisions also permit the appointment of independent trustees in given circumstances: clauses 23, 24 and 25 relate to those powers. Amendment No. 16 proposes that member trustees be given a role in that process in circumstances where they consider it to be in the best interests of scheme members that an independent trustee be appointed to assist in the on-going running of a scheme.

Although the issue was dealt with briefly in Committee, it was discussed in broad terms. Amendment No. 16 adopts a specific approach. Amendment No. 68, which was debated in Committee on 9 May, drew particular attention to clause 7(4), which vests wide-ranging powers in the regulatory authority, including the power to

"appoint a trustee of a trust scheme in prescribed circumstances."

It could well be argued that amendment No. 16, which aims to give powers to member-nominated trustees to adopt such an approach, is already covered by clause 7.

Although I do not wish to go into all that was said in Committee on 9 May, I think it is worth examining what the Minister said:

"Clause 7 deals with the power to appoint trustees. In view of the expense that an additional trustee might impose on a scheme, the Government felt that it was important not to give the authority unfettered power to appoint trustees in any circumstances. That would have been one of the alternatives to a regulation-making power. Indeed, we have sought to set out on the face of the Bill the situations in which we believe that the power is most likely to be exercised."

The Minister continued:

"It would be nice to think that we had been able to anticipate all such situations, but we need to be able to add to the list in case, in the light of experience, there proved to be other situations where it would be desirable for the authority to be able to make appointments."—[*Official Report, Standing Committee D*, 9 May 1995; c. 107-8.]

We could drift into an argument about the unfettered powers of the regulator, as we are dealing with the powers vested in the authority and in the Government, through regulation; but I think it useful to examine precisely what the Minister said on 9 May. The amendment gives him the chance to be "nice". We had some pleasant debates in Committee, and I am sure that this would not be the first or, indeed, the last opportunity for him to be nice.

Others have speculated about the future that lies before the Minister, given the events that have taken place elsewhere this afternoon. Someone may well be nice to him if he is nice to those who tabled amendment No. 16. What could be nicer than to accede to the request of member-nominated trustees that an independent trustee be appointed? If such a request were made, it would not be made lightly or frivolously, but in the context of specific circumstances pertaining to specific schemes.

The argument in support of the amendment is linked to the wider debate on the number and percentage of member-nominated trustees appointed to schemes. That

[Mr. Ingram]

issue, too, was debated extensively in Committee: we discussed the balance between member and employer-based trustees, which was also dealt with at length in the other place. Strong arguments were advanced in favour of the principle of a 50:50 split between member and employer-nominated trustees, notwithstanding the view adopted by the Goode committee—and expressed in the Bill—that the statutory requirement should be a minimum of one third member-nominated trustees in schemes above a certain size. It is worth repeating that some of the best and biggest final-salary schemes in the country operate above that minimum: Rothmans, Jaguar, Leyland DAF, Thomas Cook, Shell, Allied Lyons, Albright and Wilson, Courtaulds, Lucas, Sainsbury and Boots all have 50 per cent. member-nominated trustees.

ICI has six employer trustees, six member trustees and one independent trustee; its scheme has been in operation since 1926. Unilever—one of the top companies internationally, not just in the United Kingdom—has 12 employer trustees, 12 employee trustees and one pensioner trustee. That, without doubt, is a roll-call of some of the best companies in British industry, and it could be expanded further. For instance, the Rolls-Royce pension scheme has 80,000 members and a market valuation of £1.63 billion. It goes further than most: it has 13 trustees, five appointed by the company and eight elected by the members.

Mr. Michael Stern (Bristol, North-West): The hon. Gentleman and I share the distinction of being Rolls-Royce Members. Does he agree—I hope to say more about this later if I catch your eye, Mr. Deputy Speaker—that, at least until recently, not a single pensioner was represented among those eight employee trustees?

Mr. Ingram: That is true, but it could be changed tonight if the hon. Gentleman votes with us. Rolls-Royce falls into a category with which I shall deal when I speak about amendment No. 1; at present, however, I am speaking to amendment No. 16, and referring to the balance between member and employer-appointed trustees.

The Government rejected our argument originally. An earlier amendment was not selected, and this is not an attempt to return to it, but the underlying argument in amendment No. 16 relates to the rights, role and functions of member-appointed trustees, and what they can and cannot do. It aims to give them additional power, strictly regulated by the authority. I think that the point made by the hon. Member for Bristol, North-West (Mr. Stern) is more relevant to amendment No. 1.

In Committee, in another place and on the Floor of the House, Ministers have strongly opposed the extension of the one third-two thirds member-employer relationship laid down in the Bill, but that argument is not solid. It is based on the list of companies during the two Committee stages. There is nothing to show that a 50:50 split is impracticable, cumbersome or costly; if it were, none of those blue-chip schemes would have adopted such an approach. Experience and best practice tell us that the 50:50 balance is a respectable and tried-and-tested approach.

On 16 May, the Under-Secretary of State said—this relates directly to the underlying principle of amendment No. 16—

> "However, it would not be right for us to go further than setting a floor. We have set a floor of at least a third of the trustee board being member nominated and many people may wish to build on that floor."—[*Official Report, Standing Committee D*, 16 May 1995; c. 173.]

If the Government are serious in their intention that schemes should be allowed to build on the one third-two thirds floor set down in the Bill, they can have no argument against amendment No. 16, which provides for precisely that. It identifies the concept of the floor and allows member trustees to argue something at variance with that floor—again, only with the approval of the regulatory authority. Clearly, granting the power proposed in amendment No. 16 would give much encouragement to member trustees who may be operating in a one third-two thirds environment and finding that all their reasonable requests are simply being rejected or overturned by the majority view of the trustees.

We accept and understand that the purpose of trustees is not to represent sectional interests, but another argument is involved here that does not stand up to examination. To be realistic, it must be recognised that, in many instances, employer-based trustees will represent the interests of their company where they believe the better interest of the company must be served and, likewise, employee-based trustees will seek to operate in a similar fashion. That is the reality.

8 pm

Sir Andrew Bowden (Brighton, Kemptown): The hon. Gentleman makes the point about specific interests being represented by trustees. Surely each group has a specific interest. Employers have an interest and contributors to the scheme who are still employees have an interest. Why do we not have a pensioner interest as well? They all have particular interests to further and to work for.

Mr. Ingram: I agree entirely. I do not have time to return to the Second Reading debate but, in reply to it, I welcomed the hon. Gentleman's speech and suggested that it might be worth his serving on the Committee as he was clearly a man of independent spirit and mind. His views could have added considerably to our debates in Committee. I do not know whether it was his or someone else's choice that he did not serve. He makes a strong, valid and telling point, but it deals with amendment No. 1, to which I shall come shortly. I agree, however, with his point.

The Government say that there must be a floor of one third member-nominated, employee-based trustees, which can be exceeded and amended with the approval of the trustees, the company that is funding the scheme and the other contributors. In those circumstances, however, member trustees who consistently argue what they believe to be a reasonable case and find themselves frustrated—it will and does happen—have no way of amending the scheme to achieve a 50:50 split.

Amendment No. 16 therefore proposes the simple mechanism of putting a case to the authority. If there is a logjam and something in a scheme is not in the interests of the scheme members, who may be losing out because of the intransigence of the employer trustees, those

members could say to the regulator, "Please consider the appointment of an independent trustee to assist us in determining a way out of this impasse."

It is important to consider in detail what amendment No. 16 proposes. It does not propose that power be given to member trustees to insist that an independent trustee be automatically granted. That must happen by leave of the regulatory authority, so that important power resides elsewhere. Clearly, trustees would need to submit a strong case to satisfy the conditions that are likely to be laid down by the regulator.

That is the underlying principle of amendment No. 16. It touches on some of the arguments relating to the balance of trustees on schemes. If passed, it would give some comfort to member trustees who may be battling away, doing their best in difficult circumstances and acting honestly to achieve changes to the operation of the scheme, but making no progress. In the normal course of events, they would have no recourse other than to the authority. Amendment No. 16 says that one helpful recourse would be for member trustees to be able to put the case to the authority that they need to break the logjam or to overcome the difficulties that they face. If the authority agrees, an independent trustee could be appointed and would undoubtedly be of great benefit not just to trustees, but to the scheme members involved in a scheme.

I commend amendment No. 16 to the House on that basis. Others may wish to speak in relation to this point, but I suspect that the real debate will take place in relation to amendment No. 1, which relates to the appointment of pensioner trustees.

All those who have been involved in the consideration of the Bill—and, I suspect, all other hon. Members—have received considerable correspondence from a wide variety of interests making the case for a pensioner trustee. The issue was debated at length in another place, and of course during our deliberations in Committee. When the matter was considered in the other place, a wide-ranging amendment was proposed. It says simply:

"At least one trustee to be nominated by pensioner members of the scheme".

That wide-ranging demand was modified when we debated the matter in Committee.

Despite the fact that in this country there are 4,500 schemes with 1.83 million members that have a pensioner trustee, the Government have rejected the arguments in favour of the principle proposed in the amendment. Lord Mackay of Ardbrecknish said:

"If pensioner members were singled out to have the right to nominate their own trustee, there could be a danger that that trustee might not enjoy the confidence of active members."—[*Official Report, House of Lords*, 13 February 1995; Vol. 561, c. 460.]

That is a strong statement by a Minister, but he did not back it up with any facts. He simply ignored the fact that 4,500 schemes already have such an approach. I am aware of no evidence—perhaps the Minister has evidence that Lord Mackay received but did not give to his Committee—that the pensioner trustee members in those schemes do not enjoy the confidence of active members. If the Government are basing their rejection of the principle of pensioner trustees on such an assertion, they must prove their case. That case has not been proven.

Mr. Frank Field (Birkenhead): Is my hon. Friend not being typically generous to Treasury Ministers? If their argument is correct, surely they must move even further. If the pensioner interests on pension trusts are behaving in the way that was described in the other place, surely they should be removed from the trust.

Mr. Ingram: I thought that my hon. Friend was going to say that those Ministers should be removed from the Treasury, but that may come as well. That is a strong point. If pensioner trustees did not enjoy the trust of active members, that action could be taken. The case advanced by Lord Mackay of Ardbrecknish was not supported by any fact, but he based his rejection of the arguments advanced in another place on that case.

In Committee on 11 May, the hon. Member for Antrim, South (Mr. Forsythe) moved an amendment with the support of Labour Members, which appeared in column 143 of the *Official Report*. He was more specific about the way in which this matter should be dealt with. Rather than adopting the general approach of the amendment in the Lords, his amendment provided:

"Once a scheme of more than 1,000 members comprises a majority of pensioner members, for at least one trustee to be nominated by pensioner members on that scheme".

Clearly that narrows it down to particular schemes—large, mature schemes. It says that, where there was a majority of pensioner members, one of the trustees should be nominated by pensioner members on that scheme. That was an advance on what was being proposed in the other place simply because it dealt with schemes that operate in a particular way. It was supported by the arguments advanced in the Goode report. That document was used extensively in Committee.

On page 261, Goode reported that

"The case for pensioner trustees is not without merit. There is some anxiety that the interests of pensioners may be very much in the background if there is no pensioner trustee, particularly since they are not involved in the negotiating process between employer and employees. In addition, they are thought to be less susceptible to some of the pressures that face active members. The case for pensioner trustees is particularly strong where they represent the majority of the scheme beneficiaries".

Goode went on to reject the idea of pensioner trustees. However, the analysis that I have quoted is met by the amendment that was moved in Committee by the hon. Member for Antrim, South, and met, in its entirety, by amendment No. 1.

Simply put, the case for pensioner trustees is that a pensioner trustee will bring a wealth of experience to a trustee board. The experience of the many schemes that have pensioner trustees shows that such trustees tend to be people with considerable experience in the company. Many are retired senior managers who know the company inside out, who are committed to advancing the company's interests, who have served for many years, ensuring that the company was successful, and therefore who want it to continue to be successful. There is incredible loyalty among the pensioner trustees whom I meet and many pensioner members of schemes who wish to serve in that capacity. They have a loyalty to the company that they have served—in many cases, for 20, 30 or 40 years. They often bring expertise of senior management.

Perhaps more important—this argument was picked up by Goode in the passage that I quoted—pensioner trustees would not be susceptible to pressure from elsewhere. That is very important, given the new concepts that have been developed in the Bill about whistleblowing.

[Mr. Ingram]

We must live in the real world. Many member trustees would have second thoughts about blowing the whistle if they considered, notwithstanding the protection that may or may not be in the Bill, that they had only, say, a 40 per cent. question mark in their mind about wrongdoing. Most member trustees would have to be very satisfied about what was going on before they ever blew the whistle on the scheme.

Such pressure and uncertainty would never exist in the mind of a pensioner trustee. A pensioner trustee has no need to fear, however strong his commitment and loyalty to the company. The minute that there was any hint of mismanagement or perceived irregularities in the operation of a scheme, he would not hesitate in blowing the whistle.

Mr. Stern: I am not sure that I follow the hon. Gentleman's logic. Employer-nominated trustees or member-nominated trustees have a vested interest in the well-being of the scheme, which may in itself encourage them to blow the whistle over malpractice, but surely the same considerations apply to a pensioner trustee whose pension is not necessarily purchased outside the scheme but depends on the future funding of that scheme by the employer and by existing employees.

Mr. Ingram: I am not adopting an absolute position that pensioner trustees will always operate on that basis—they will undoubtedly have other factors in their mind. I hope that I have not lost the support of the hon. Gentleman for that concept because he believes that there is illogicality in what I have said.

Mr. Frank Field: If the hon. Member for Bristol, North-West (Mr. Stern) recalls the genesis of the Bill, it resulted from what happened in the Maxwell pension schemes. An employer removed people at his will if they did not do as he wished. That would not occur if they were retired, because they would not have jobs to lose, which would lose them the place on the pension scheme.

The case of Imperial Tobacco appeared before the courts. Trustees had been removed from pension schemes, and the judge said that to lose one set of trustees was carelessness, but to move two was a much more serious charge against the employer. Surely, given the origins of the Bill, we are trying to build some safeguard into it.

Mr. Ingram: My hon. Friend makes his own argument extremely well, based on his knowledge and experience of investigating that specific scheme. My memory tells me that one of the trustees was not simply moved but was sacked by Maxwell, because he was the one who was identifying much of the wrongdoing. That trustee was dismissed from the company, not from the trust, but obviously, the minute that he was out of the company he was no longer eligible to serve as a trustee. That could not happen to a pensioner trustee, who is free to tackle such matters.

8.15 pm

I do not believe that such things will be happening daily. We have come to expect and accept that most pension schemes in this country are well run. However, it has been clearly proven—in the Maxwell case and in many other cases documented in the Goode report and elsewhere—that irregularities do creep in and major wrongdoing does take place. A pensioner trustee would simply be another bulwark against that eventuality occurring in schemes covered by amendment No. 1.

Some people may want to argue differently, but I emphasise that amendment No. 1 does not argue that pensioner trustees should be appointed as of right. A pensioner trustee should be appointed only to mature schemes, the majority of whose beneficiaries are pensioners.

We must respond to another development that has taken place in the economy in which we all now have to exist. Many large companies have been divesting themselves of employees rapidly in the past 10 or so years, creating a shift, which many people could not have predicted, in the balance in pension schemes between active members and pensioner members.

The National Federation of Post Office and British Telecom Pensioners says, in its briefing material, which has been sent to all hon. Members, that 66.3 per cent. of members of the Post Office scheme are pensioners and 69.4 per cent. of members of the British Telecom scheme are pensioners. In absolute terms, there are 192,000 pensioner members in the Post Office scheme and 211,000 members in the BT scheme. Those are very large numbers of people who have no right of direct representation.

Ten or 15 years ago, people could not have predicted that shift, which has been mirrored in large scheme after large scheme, and the percentages to which the National Federation of Post Office and British Telecom Pensioners draws attention are borne out by arguments advanced by other groups acting on behalf of pensioners' interests.

It is therefore right that that reasonably new and developing make-up of pension schemes—of pensioners being in the majority—is recognised.

I accept that the Government may argue that there is nothing to prevent pensioner members from becoming trustees. We discussed that at length in Committee, and it is correct. Pensioners can become trustees if they are so elected.

However, we should return to the real world. The real world proves that it is very difficult for pensioners to organise. They lack the financial resources; they do not necessarily have all the relevant information to hand. It is quite a task to organise 192,000 pensioners, as in the case of the Post Office scheme, or more than 200,000 in the BT scheme.

I accept that 850 members is an arbitrary figure. Other figures could be set; I think another amendment sets the figure at 750. In Committee, the hon. Member for Antrim, South set the figure at 1,000. It is the principle that is being argued for.

I hope that the Minister will accept the arguments about the need to recognise the changed circumstances that now apply in many large pension schemes and the important role that pensioner trustees can play in a free and unfettered way. They would not need to look over their shoulders or worry about employer pressure if they reported perceived wrongdoing in a scheme.

The expertise that those pensioners can bring to the operation and management of individual schemes is important. There is a wealth of talent screaming out to be included in many such schemes. We can address that argument by accepting amendment No. 1. I am sure that it will be warmly welcomed by hundreds of thousands of pensioners in schemes throughout the country.

Sir Andrew Bowden: I should like to concentrate my comments on amendment No. 10, which stands in my name and that of the hon. Member for Birkenhead (Mr. Field). I support a large part of the comments made by the hon. Member for East Kilbride (Mr. Ingram) in moving his amendment.

I ask the Government to understand that there is strong feeling among pensioner organisations about their lack of representation. Many hundreds of thousands of people are involved. They are frustrated because they feel that they have no effective say and no direct influence on the handling of schemes or on the boards of trustees.

I know that there was considerable debate on this issue in Committee, where my hon. Friend the Minister for Social Security and Disabled People said:

"The Government agree that there should not be a requirement to appoint pensioner trustees, but we are trying to facilitate pensioners having a voice on an equal basis with active members, which would go further than the Goode report suggested."—[*Official Report, Standing Committee D*, 16 May 1995; c. 156.]

I am glad that they are trying to do that. What we are asking my hon. Friend the Minister to do tonight is to put those words into operation. It is a great opportunity for him to do so.

I believe that the Goode committee side-stepped the matter. It took the soft option when it used words to the effect that pensioner trustees should be encouraged. It should have gone much further. I do not know why it did not. I suspect that there was some disagreement in the committee about how far it should go and it compromised on encouragement instead of being more positive.

The 1993-94 report of the pensions ombudsman makes an interesting statement:

"Trustees' conflicts of interests . . . Trustees are often appointed from the management sponsoring company, or company itself . . . Conflicts of interest can arise in which consciously or unconsciously the individual concerned may not distinguish between their differing responsibilities adequately."

That refers to the point that we were discussing earlier.

Frankly, it is a fig leaf argument to claim that trustees should not represent sectional interests. In the real world, in practice, they do. Quite correctly, employers and member trustees have sectional interests. Why on earth should not the pensioners have a sectional interest and a sectional voice, too?

Mr. Peter Griffiths (Portsmouth, North): I hesitate to interrupt my hon. Friend, but he and the hon. Member for East Kilbride (Mr. Ingram) used the phrase "pensioner trustee". My interest was not aroused when the hon. Member for East Kilbride used it because amendment No. 1 refers to a trustee

"who shall be a pensioner member",

but amendment No. 10 refers to a trustee

"who shall be a beneficiary of that scheme or a person approved by the beneficiaries of that scheme."

Is my hon. Friend using those two phrases interchangeably or does he see a distinction between a pensioner trustee who is a pensioner and a trustee appointed to look after the interests of pensioners?

Sir Andrew Bowden: There is a distinct difference on this point between amendment No. 1 and amendment No. 10, which extends a view that I have expressed in the House before. Where appropriate, we should encourage people to join boards of trustees who are not necessarily beneficiaries and who do not necessarily contribute to the scheme but who would be there with the approval and support of the pensioner beneficiaries. That would enable a much wider range of people to join trusts and use their expertise and knowledge.

In groups of beneficiaries, there will be individuals who could do a very useful job, but there may well be occasions when the beneficiaries will want to bring in from outside somebody who might have had a great deal of experience and knowledge of pension matters. Such a person might be a retired solicitor who specialised in that subject or a Member of Parliament who had retired or whose services had been disposed of by the electorate but who had some expertise that could be used. There is a range of possibilities. We should not be rigid and say that trustees must come from one category or another.

Mr. Andrew Miller (Ellesmere Port and Neston): As a Back Bencher, I appreciate the difficulty of drafting amendments. For clarity in this debate, would the hon. Gentleman confirm that he uses the word "beneficiary" to mean somebody in receipt of a pension? I ask because there has been confusing use of that word. For example, consider the judgment against Lord Hanson in the Hanson-Imperial Tobacco case. The word "beneficiary" is used to cover active scheme members, deferred pensioners, pensioners and, indeed, the company. I take it that the hon. Gentleman means specifically those people in receipt of a pension.

Sir Andrew Bowden: Yes, I mean people who actually get the benefit of the pension. It is always difficult, as the hon. Gentleman said, for Back-Bench Members to get the wording of amendments exactly right. I am sure that my hon. Friend the Minister knows what I mean and I am certain that the House does.

I should be delighted if my hon. Friend the Minister were to say, "I have to tell my hon. Friend that his amendment is not quite correctly worded, but I agree with the spirit of what he intends and wishes. I shall take it back to my Department, get the wording right and submit it through further stages of the Bill so that it will become law." I very much hope that that will happen. I am clear that I am talking about those actually in receipt of a pension.

There are large groups of people who meet regularly to discuss their schemes and their problems as pensioners. There is one other thing that slightly worries me. I have no specific, hard evidence to establish it, but I get the feeling that there is some prejudice against allowing pensioner beneficiaries to become trustees because there is a feeling that they might be a bit old and past their best. People wonder whether they can really make a useful contribution. I hope that that is not the case because a large number of people in their 60s, 70s and, indeed, 80s are very able. There are some hon. Members in that age group who are excellent Members of Parliament. I therefore trust that I am mistaken, but I have a feeling that I am not.

There is also a feeling that beneficiaries who are on the board of trustees will lack impartiality. I should not mind if they lacked impartiality in the sense that they were battling to ensure that the beneficiaries got a full and fair deal. If we put the right people on boards—people who can also consider the overall position of the trust and the decisions that it has to make—they could make a valuable contribution.

[Sir Andrew Bowden]

I hope that my hon. Friend the Minister will be more positive tonight than he was in Committee. I look forward to hearing what he has to say.

8.30 pm

Mr. Frank Field: I support amendments Nos. 1 and 10 for various reasons. My hon. Friend the Member for East Kilbride (Mr. Ingram), who spoke with typical force, outlined one of the most important arguments that we ought to consider. No one but a knave or a fool would claim to have the panacea with which to safeguard pension funds. We are trying to knit together a series of mechanisms that will minimise the chance of any group of pensioners going through what the Maxwell pensioners had to go through.

When my hon. Friend the Member for East Kilbride spoke about the need for pensioner trustees, he meant that they might be less easy to nobble than other trustees, given the frailty of human nature. He was not saying that, if only we had a pensioner trustee on every trust, we could guarantee the safety of the funds. We could not do that, but the chances are that we would improve the safety of funds if there was such a trustee whose job was not dependent on his carrying out his employer's wishes.

In response to my intervention, my hon. Friend made my point more forcibly than I did and in the manner that I should have employed. People are often on boards because they hold a particular job. If they prove difficult as trustees—if they do not do what the employer wants—they risk losing their job because dismissal can be the only way to take them off the trust board. It is crucial to have on the board a number of people who speak the truth as they see it, without fear or favour of their employer.

Mr. Mark Wolfson (Sevenoaks): I agree with what the hon. Gentleman says about people who are trustees of a pension fund and in related employment. Often, the pressure may not be as direct or overt as the risk of losing a job. If someone is making a nuisance of himself, as it were, his prospects in the company can be diminished—it might be no more than that, but it can nevertheless be very damaging.

Mr. Field: Most people would be helped by there being an independent/pensioner trustee behind whom other trustees could group their arguments. I should hope that that case alone would persuade the Government even at this late hour to improve the Bill by accepting the amendments.

There is another reason for supporting the amendments. The more the Government claim that people do not speak for specific sectional interests but are bound by trust law, the weaker is their case against having on trust boards people who represent particular special interests. In this context, I disagree slightly with the way in which my hon. Friend the Member for Brighton, Kemptown (Sir A. Bowden)—I call him my hon. Friend tonight—presented his case. It is important to have on trusts people who represent specific ideas while abiding by the framework of trust law, or who have a general duty to promote the trust, as specified in law.

Let us consider our roles as Members of Parliament. We all enter the House with a party label. Indeed, we should be foolish to think that we would be elected without our party labels. We therefore bring a particular interest, whether it be Labour, Tory or Liberal. However, once elected, we represent all of our constituents. Bringing a particular point of view to our work here does not make us any the less Conservative, Labour or Liberal, but we regard our constituents' interests with particular eyes.

The same applies to a member of a trust. He joins the trust with employer or employee interests, trade union interests or, as we are discussing now, special independent interests or pensioner interests. That trustee brings different qualities. If I compare the qualities that I try to bring to the House with those of my colleagues or Conservative Members, it is clear that we all bring something different to the debates although each of us tries to represent properly the views of all our constituents. That argument applies equally to members of pension trusts.

There is a final reason why the Government should concede the amendments. I believe that they would do so had they been present when the hon. Member for Antrim, South (Mr. Forsythe) and I took evidence in Northern Ireland about the Harland and Wolff pension scheme. The evidence that we heard was disgraceful, as was the attitude of those in charge of the pension fund. In fact, it was doubly disgraceful because they did not know how disgraceful their views appeared to all those present.

The prevailing attitude was not merely condescending but a dismissal of people who had given all their working life to Harland and Wolff. People were publicly humiliated for trying to represent their interests effectively as pensioners. I believe that I am right to say that they were denied information about other pensioners. Their efforts to represent pensioner interests were thwarted at every turn. Instead of seeing a mature group of individuals in charge of the Harland and Wolff scheme and rejoicing in the fact that people were actively trying to represent their own interests—that, after all, is the very lifeblood of democracy—those in charge tried to humiliate those people. Those in charge have now made some minor concessions. They will appoint someone from the group, but they did not trust the vast majority of those interested in the scheme to make that decision themselves.

If one believes the Government's rhetoric, as I do, that ownership of pension assets is probably more important than the value of one's house—even before the age of negative equity—one must surely move with alacrity to accept the amendments.

The genesis of the Bill was the theft of pension funds from Maxwell pensioners and future pensioners. No one pretends to be able to guarantee the absolute safety of pension funds. The amendments seek to make pension funds more representative and to make it a little more difficult for the awful Maxwell scenario to happen again. Given the purpose of the Bill, I think that the Minister will have to have some pretty good arguments if he is, with a clear conscience, to persuade his colleagues to vote against the amendments.

Mr. Stern: I am happy to continue in the spirit with which the hon. Member for Birkenhead (Mr. Field) concluded. When considering this group of amendments, I find myself in a not unusual position for any Back Bencher of any party. I am pretty convinced that the Government have got it wrong. I am also pretty convinced that the amendments do not represent much of an improvement. By using a couple of arguments, I shall explain why, from experience, I believe that.

I came to the House in 1983 as the representative of an area in which Rolls-Royce Aero Engines was—and still is—the second largest employer. My first involvement in this argument occurred when a small group—first two people, then half a dozen—of Rolls-Royce pensioners came to see me to complain with some fairly abstruse figures that the pension scheme into which they were locked had been disadvantaged by a subsequent action by the company in favour of another pension scheme into which a larger number of employees was locked, but in which there was also a larger number of non-pensioner members.

The group of half a dozen people tried to enlist my help and I contacted Ministers and the company. In the end, I suggested to them that it would be a good idea, given the local involvement of Rolls-Royce, to arrange a meeting and invite a representative of the company to explain its point of view. I was a little surprised when more than 500 people turned up—it was just one branch of the company.

The nub of the argument was very simple. Although it was not as extreme an example as Harland and Wolff, which the hon. Member for Birkenhead described, Rolls-Royce had taken a decision which appeared to be in the interests of the company and the on-going contributors to the pension scheme, but which meant that a group of pensioners had no say, and no opportunity of a say, in the argument. They had no representative on either the pension trust or the company funding committee, which examined the levels of contributions made to the pension trusts. They were the ultimate disfranchised minority whose financial future was being affected by decisions that were outside their control.

I suppose that, from that date, I became convinced that some greater pensioner involvement was necessary to look after—or at least speak for—the interests of pensioners. A second example, again in my constituency, confirmed that feeling. It concerned another former major employer in the Bristol area, Imperial Tobacco, which was much more to do with southern Bristol than northern Bristol, but nevertheless involved a considerable number of people.

After the war, Imperial Tobacco set up the dream pension scheme especially for its managers—the famous Ross-Goobey scheme, which was the benchmark for many years. When I was elected, a large number of my constituents—as is the case even now—enjoyed very generous pensions because of the way in which that pension scheme was set up.

A few years ago, efforts were made by the then owners of Imperial Tobacco, Hanson plc, to alter the rules of the scheme. Those efforts ended up in a highly expensive legal action which the company happened to lose. There may well be a division of opinion across the Floor of the House on the rights and wrongs of that action but, as was explained to me by the company, it was not a raid on the pension fund as some people thought. It was a straightforward lack of anybody at decision-making level able to put forward the very deeply held views of the majority of pensioner members.

That is another example of the interests of pensioners being deliberately or inadvertently damaged—at least from the pensioners' point of view—because of the pensioners' lack of even one representative on the scheme whom they could regard as acting in their interests.

So far, I have advanced arguments that back those, especially those put by the hon. Member for East Kilbride, for the need for further prescription, but this is where I start to have some doubts. I have spent a large part of my working life as a practising chartered accountant. Inevitably, as such, I have advised companies on setting up schemes and advised companies with schemes in place on how to change them. The one conclusion that I have come to, which makes me very doubtful about any setting up of rules for pension schemes generally, is that every pension scheme is different. The ebb and flow of individual interests in a pension scheme not only varies from month to month, but from company to company and from industry to industry.

8.45 pm

The hon. Member for Birkenhead talks—rightly—about mature schemes in which there are a large number of pensioners. I have to ask him how it would be possible, for example, to set up rules for the following two schemes with an identical number of pensioner members. With Rolls-Royce, pensioners are concentrated in two or three places, so a large number of them can get together. In another company, such as a tour operator, in which the employers are worldwide, every individual receives his or her pension in a different way and the interest of each individual varies according to the movement of currencies, and it is virtually impossible to get a common opinion, let alone a common voting system, among pensioners. I therefore come to a slightly different solution from that suggested by the hon. Member for Birkenhead.

In the 1980s, I was proud of being in this House and of serving on the Committee on the Bill that abolished compulsory membership of pension schemes, which I regard as one of the great advances in pensions. The Government have given employers and active employee members of pension schemes a way out. Just as employers always had the right to cease to fund a pension scheme subject to existing contracts, employees were given the right, by a Conservative Government under the Social Security Act 1985, to opt out of pension schemes that they found inimical to their interests. That right does not apply, except to some extent, to deferred pension scheme members and it does not apply to any extent to pensioner members.

Mr. Frank Field: Before the hon. Gentleman congratulates himself too much on supporting that particular measure, does not he see some inconsistency with the general stance of those on the Treasury Bench, which I also accept, that wherever possible people should provide for themselves and not draw means-tested welfare? Will not that very measure, which he is so proud to support, increase the number of people on means-tested pensions and therefore the burden on taxpayers?

Mr. Stern: I fear that the hon. Gentleman's comments, however apposite they may appear, have nothing to do with the subject that we are discussing. I prefer to stick to the subject that we are discussing.

Compulsory membership of pension schemes still exists in all its full force for people who are currently drawing a pension. The Government need to go a little further to address that and see whether additional rights can be given to those pensioner members. I reject the prescription approach set out in the Opposition

[Mr. Stern]

amendments simply because it is too prescriptive and would create as many anomalies as it would destroy. I also reject the hands-off approach, which the Government appear to be proposing, that we cannot do anything right and, therefore, should do nothing.

There is scope for the Government and, in particular, OPRA—which is being set up under the Bill—to go further than the Government have so far. It should be open to the Government positively to encourage all schemes regulated by OPRA to introduce as soon as possible, within the circumstances of each particular scheme, some form of pensioner membership. My hon. Friend the Minister has previously argued, and may well do so again tonight, that that would create representative vested interests on a scheme. However, I join the Opposition in saying that those vested interests already exist and it would do no harm to recognise them.

Mr. John Denham (Southampton, Itchen): During discussions in Committee and on earlier stages of the Bill, I have found rather curious the Government's resistance to the idea of pensioner-nominated or pensioner-member trustees. It appears quite straightforward to me that such trustees would add strength to the trustees of pension funds, would add a welcome element of independence and would reassure millions of pensioner members of funds. Those are all good reasons for having pensioner trustees. The Government have not produced any strong or overwhelming arguments for resisting the extension of those trustees to a much larger number of schemes.

The amendment focuses on larger, mature schemes where the majority of members are pensioners. However, I do not see any absolute reason why we should restrict our support for pensioner trustees to schemes that have a majority of pensioners. The advantage in debating the amendment is that it focuses clearly on the interests of pensioner members of schemes, which are not properly represented at the moment.

In Committee, the hon. Member for Antrim, South (Mr. Forsythe) moved a similar amendment, but with a slightly higher threshold—1,000 scheme members rather than 800. Both amendments have the same principle. The hon. Gentleman estimated that his amendment would cover 720 of the 128,000 schemes in this country. A relatively small number of schemes would need to adjust to fall within the terms of that amendment, but it would cover more than 4 million people, many of whom feel that they are not adequately represented. The slightly lower threshold in the Labour amendment would draw in a larger number of schemes. However, both amendments, with the condition of schemes being of a certain size and with a majority of pensioner members, are aimed at a particular group.

Three or four key questions must be asked about the principles behind our amendment. First, would pensioner members of schemes feel more confident about their pensions if those principles were adopted? I cannot believe that any hon. Member—certainly none who served in Committee—could be in any doubt that pensioner members would feel more confident if someone whom they had directly chosen represented them on the board of trustees.

I am sure that we have all received letters from the British Telecom and Post Office schemes and had meetings with and representations from the Confederation of Occupational Pensioners Associations. That has left us in little doubt that people speaking for the majority of pensioners have a strong case. For as long as they are excluded from representation in a scheme, they and those whom they represent will continue to feel that their interests are not being adequately safeguarded.

It is true that, as has already been said, no one measure could absolutely safeguard the pensions either of people who are already receiving them or of those who will do so in future. However, the very act of exclusion—and that is the way in which the Government's proposals are being interpreted—leaves many pensioners feeling disfranchised. If the amendment was adopted, people would feel more secure and would be reassured that their pensions were being better looked after.

Secondly, would it cause any substantial problems to adopt the amendment? Are there any overriding difficulties or overwhelming problems standing in the way of doing so? In Committee, the Minister produced a series of rather curious arguments. He raised a complete red herring about making regulations that cover a wide variety of schemes. However, under the Bill, schemes will have to make arrangements, and rules will have to be drawn up for consulting on the selection of member trustees, so there seems to be no reason why the modest amount of additional work and thought needed to find a way to consult pensioner members, and so choose a representative whom they find satisfactory, cannot be part and parcel of drawing up those rules.

Thirdly, what would the role of the trustees be? Would they act irresponsibly or pursue narrow, sectional interests to a point that damaged the operation of the fund and the trustees as a whole? I felt in Committee—and nothing has been said today to change my mind—that the clinching argument is that there are already a significant number of schemes with pensioner representatives in one form or another, yet no one has shown us any evidence that pensioner-nominated trustees are more inclined to breach trust law, or that they are more likely to act more irresponsibly than any other type of trustee. There is no evidence that pensioner-nominated trustees would create problems for the operation of existing funds.

I agree with the points made by a number of hon. Members on both sides of the House. The Government are in a stat of complete confusion about whether trustees from different constituencies represent certain interests. Throughout our debates on the Bill, the Government have failed to produce a single logical argument. When it has suited them, Ministers have argued that trustees are responsible only to the trust deed and to the operation of the fund, so that where they come from is irrelevant. The Government have used that argument to resist the idea of pensioner-nominated trustees. They have said that that would be a terrible step in the wrong direction as it would create a set of special interests, and they have added that they do not wish to encourage the recognition of special interests within pension funds. But the Government have not used that argument when it comes to the overall make-up of the trust.

When we advocated a 50:50 split of employee and employer representatives on the trust, the Government said that that was not a good idea and was going too far. They readily conceded that employers would take the view that such a scheme would involve too many people

who did not represent the employers' interests on a trust. For the sake of logic, the Government should have been consistent on the principle throughout the Bill.

When the Government rejected the idea of a 50:50 split of employer and employee representatives in the membership, they recognised de facto that the members would represent different interests within the pension funds. The members will all be bound by trust law—as a pensioner's representative would be bound—but they will bring to the operation of the pension fund a special knowledge of and a special interest in their own area.

We expect that the people who are nominated by employers will bring to the operation of a pension fund a special interest in the employer's viewpoint of the management of the fund, and we also expect that employee representatives will bring a special insight of the view of the active members of the fund of the way in which the fund is administered. There is nothing wrong with recognising that.

We think that the Government have got it wrong, and that there could well have been a 50:50 balance that would not have harmed the operation of the funds. My hon. Friend the Member for East Kilbride (Mr. Ingram) gave a long list of examples where such schemes work perfectly satisfactorily. During the consideration of the Bill, the Government should have reflected on the underlying principle that there is nothing wrong with people bringing a special insight to a pension fund.

9 pm

It is possible to identify fairly readily the sort of situations where it would be useful to have a member of a scheme who had an interest and insight into the concerns of the retired members who are the beneficiaries of the fund. The most obvious example is when the immediate interests of both the active members—the current employees—and the employer coincide, but in a way that is to the detriment of the pensioner members of the scheme. A company running into financial difficulties will clearly be under pressure to accept a lower funding level for the scheme than might otherwise apply.

A base line is now in place as a result of the introduction of the minimum funding requirement. None the less—as we rehearsed many times in Committee—that level may well be significantly below that which a company would normally wish. It would be useful in those circumstances for pensioners to have a voice within the fund to say, "We understand and appreciate the difficulties, but other interests are involved."

Self-investment is tightly prescribed within the Bill, but—as I recall—it is not ruled out. That is another example of where the immediate interests of the active members and the employer may coincide, when it might be healthy to have a third point of view, to question whether that is in the best interests of the scheme as a whole.

When a company is restructured, there is a temptation—all hon. Members will have seen this in their constituencies—for various employers to use the surpluses in the fund to enhance the early retirement benefit for the active members. Again, that is an instance where it would be useful to have retired members questioning whether such an operation was really in the interests of all the beneficiaries of the scheme. In all circumstances, the management of a fund would benefit from having a pensioner-nominated member.

In opposing the amendment tabled by the hon. Member for Antrim, South in Committee, the Minister deployed three arguments, one of which I have touched on. The Minister's red herring was that the amendment would create enormous difficulties for schemes, but I do not accept that argument. The schemes will be drawing up rules and procedures for consulting members and finding out how best to consult them on member-nominated trustees. The Minister also quoted the Goode committee report—which came out against the representation of sectional interests—but my views on that matter are very much in line with those of the other hon. Members who have spoken in the debate.

The Minister's third argument was a curious and democratic one. He seemed to argue that, in the type of schemes that the amendment addresses, where there is a majority of pensioner members, that majority would in principle be able to organise themselves in such a way as to make sure that their interests were adequately represented among the trustees. I am not sure that that approach is realistic, wise or healthy for the management of schemes that have a majority of pensioner members.

At one end of the spectrum there is a difficulty in organising a dispersed group of pensioner members who may, by now, be living at different ends of the country, a long distance from the workplaces where they originally worked. In many companies, those workplaces may not now exist. Their ability to organise themselves to reflect their interests will be much weaker than that of active members who may well, in some big companies, still be in large workplaces, well organised by trade unions and able to have a clear, collective voice.

From time to time I receive various ballot papers from building societies asking me to vote in building society elections. One reads the information and generally does not have a clue whom to vote for. I feel very much the same in some of the obscure regional elections of my trade union, when I receive CVs from apparently identical candidates. A dispersed electorate has difficulty in organising itself to get its views across.

There is a danger that, although in principle, pensioner members could use the new procedures in the Bill to ensure that their interests are represented, that will not happen in many cases. When the rules are initially drawn up under which active members and pensioners are to be consulted on the selection of the member trustees, it will, in many cases, be difficult for the retired members to have a clear voice on whether those rules and procedures will enable them effectively to express their apparent majority. I do not think that they will be able to do so very often. The rules and procedures will presumably govern whether statements and manifestos can be circulated to all members. It would be essential for such items to reach retired members, so that they could be asked to vote for a specific person because he or she would be willing to act in the members' best interests.

The current rules and procedures could easily result in some funds in which pensioners were not organised. Although there might be a majority of pensioner members, they could ultimately end up with very little representation on the trust bodies. However, it is at least theoretically possible, perhaps in some of the large schemes where pensioners are extremely well organised and where there is a considerable majority—of two to one or three to one of pensioner members to active members—for pensioner members, as I understand it, to

[Mr. John Denham]

use the rules and procedures to ensure that every member trustee of the scheme is a pensioner member or a pensioner-nominated member. I am not sure that that would be healthy for the management of pension funds.

I doubt whether there would be many employers who would be happy for their active members of the scheme to be excluded from the scheme's management and for it to be dominated by pensioner interests. I am not sure whether many employees and active members would welcome that outcome. By advancing the democratic argument that if there is a majority of pensioners, they will be able to ensure that they are adequately represented, the Minister is encouraging a dangerous and unstable position.

It would be more prudent to define a clear role for pensioner-nominated members of the scheme. If that were done and made best practice and enforced as best practice in the way suggested by the amendment, pensioners would, by and large, accept it. They would see it as a means by which their interests would be clearly represented in future. Such a policy would also add to the stability of the management of the schemes.

I believe that the Government have resisted the proposal more from their general desire not to prescribe regulations if they think that they can get away with it. In this case, they are doing so in a way that will leave many pensioner members feeling that they are poorly represented and unable to contribute to the security of their own pensions.

Mr. Wolfson: I have, all along, been uneasy at the difficulty that the Government appear to have in accepting compelling arguments for pensioner representation on the trustee bodies. It seems that we are inevitably in a working world of much greater insecurity than existed in the past. New technology means that this is a continuous process; short-term contracts and rapid changes in the skills required for the job mean that, during their working lives, people feel less secure than they used to, whatever their employment. For pensioners, that sense of insecurity has become much stronger since the Maxwell fiasco.

As the Bill was instigated as a result of the problems arising from the defrauding of the Maxwell funds, I find it odd that we are not focusing very strongly on giving future and existing pensioners a feeling of security that their funds will be properly guarded and secured through thick and thin. Pensioner fund members have an independent voice, which I believe could make a valuable contribution to the discussions of a trustee body.

The chairman of any pension trustee body must weld its members into a coherent team that looks at all the problems rather than just arguing for the vested interest. As the hon. Member for Southampton, Itchen (Mr. Denham) made clear, employers and employees will inevitably have vested interests in the scheme, but the beneficiaries of the scheme do not have an opportunity for any input. I believe strongly that we should move towards taking account of their views.

Finally, it would be wise for the Conservative party to demonstrate a voter-friendly policy on the issue and perhaps this, of all days, is the day to do it. A great many natural Conservative voters who are members of pension schemes look to us to safeguard their interests and they are rather surprised and bewildered that we appear not to be doing so. I hope that it is not too late to think again.

Ms Church: I am very happy to follow the hon. Member for Sevenoaks (Mr. Wolfson) in the debate. He is absolutely right: thousands of pensioners up and down the country are watching the outcome of the debate tonight. They may not be natural Conservatives, but the hon. Gentleman is correct that the Government need to woo every voter they can at present.

Pensioners have invested their livelihoods in retirement pension schemes and they are directly and immediately affected by the management of those schemes and by the action of the trustees. They have no right to participate directly in the running of a scheme, so they should have the right, in statute, to nominate a pensioner member.

The arguments in favour of Opposition amendment No. 16 are absolutely clear and they have been put very well by a number of my hon. Friends, particularly my hon. Friend the Member for Southampton, Itchen (Mr. Denham). There is a clear democratic argument: those who are affected directly should have the right to participate in the running of a scheme. There is also a security argument. Pensioner beneficiaries of a scheme need to know that their interests are being safeguarded—as far as that is possible—so that, as my hon. Friend the Member for Birkenhead (Mr. Field) said, they will be less easy to nobble. We know that the operation of pension schemes cannot be safeguarded absolutely, but that would make it more secure for members.

We could also argue for the amendment on the grounds of equity. As existing employees—those who have a deferred benefit from the scheme—participate in the running of the scheme, should not those who are benefiting currently have even more right to participate in the management of that scheme? Pensioner participation would also directly benefit schemes. It is likely that a former employee member of the scheme would, upon becoming a pensioner, be nominated as a pensioner member of that scheme. That person operated as a trustee of the scheme while in employment and would be likely to continue to contribute to the scheme's operation. Such people would bring to the scheme invaluable experience, knowledge of the scheme's history—which is often important to its operation—and a particular perspective as pensioners. My hon. Friend the Member for Birkenhead emphasised the independence of pensioner members, who would not be so susceptible to employer pressure or fear of being sacked for speaking out—as was the case with members of the Maxwell scheme.

9.15 pm

The existence of pensioner members would increase trust and confidence among existing employees, who would know that if a whistle needed to be blown, it would be blown by someone who did not fear a direct financial penalty, which might be incurred by an employee trustee. Opposition Members and people throughout the country acknowledge those as straightforward arguments, so what are the Government's objections? My hon. Friend the Member for Itchen fully described them, so I shall not go over that ground again.

The Government seem to believe that it is not right for someone who is a direct beneficiary to be represented on a scheme. It is not a question of representation.

Employees have a direct if deferred interest. It is because a pensioner member would have a certain perspective that he or she should participate in the scheme's management. Not for the first time, the Government are standing logic on its head. A pensioner member could not outvote the others, and individuals prepared to be nominated and to stand—from my experience of working as a trade union official before I entered the House—are of high integrity, have sound principles and are deeply concerned for pensioners who will follow them, not just for existing pensioner members.

I say to pensioners who are listening to or watching this debate—and they number thousands, as the hon. Member for Sevenoaks said—that they should listen carefully to Government Members. Listen to their vacuous excuses for refusing to accept the amendment. Listen to their denial of pensioners' interests in the operation of pension schemes. I have been a Member of Parliament for little more than a year, but time after time I have heard the Government talk about choice and protecting the interests of the individual. We hear that mantra time and again, but the truth is that the Government are denying choice to pensioners and failing to protect the interests of individual pension scheme members—be they existing employees, deferred pensioners or existing recipients.

I hope that those thousands of people throughout the country are listening carefully to yet another example of the Government's failure to understand the needs of ordinary people who want extra protection, experience and knowledge brought to the operation of their pension schemes. As a result of scandals and mismanagement, the public have lost confidence in pension schemes. Tonight, the Government have a chance to restore in part that lost confidence, but they refuse to do so. If they persist, they should not be surprised if it leads to the loss of even more of what little confidence the public have in the Government, given their continued failure to protect people who need protection—most of all, our pensioners.

Mr. Clifford Forsythe: The Select Committee on Social Security—the hon. Member for Birkenhead (Mr. Field) is its Chairman and I am a member of it—has taken many hours of evidence on pension schemes, starting with the Maxwell scheme. We received evidence from everyone who is significant in the pension scheme world, including actuaries.

We arrived at the conclusion that a pensioner trustee or an independent trustee should be an essential member of a board of trustees of a pension fund. We did not pluck that conclusion out of the air. We arrived at it, having listened to everyone in pension schemes throughout the United Kingdom. I still have not been given a satisfactory explanation of the Government's view that employer-representative trustees and employee-representative trustees are acceptable and not regarded as biased—I accept that—while pensioner-representative trustees are not acceptable

It has been said that pensioners are resentful about various things. A good example of their resentment is the Harland and Wolff pension fund. Harland and Wolff pensioners were in dispute about a pension fund surplus when the company was privatised. They felt that the surplus would not be used properly. The House will be glad to hear that I do not intend to go into detail.

The pensioners formed a group and wished to enlarge it. They asked the trustees if they could have the names of other pensioners. That request was refused. They then asked the trustees if they could have the addresses of other pensioners on the basis that the trustees would write to those pensioners. That request was refused. They tried everything to enlarge their membership. Each request was refused by the trustees and by the firm. The pensioners were disregarded. They had been members of the Harland and Wolff work force for many years but when they became pensioners they were ignored.

After pressure was brought to bear by the Select Committee on Social Security, the Harland and Wolff trustees decided that they would appoint or have a pensioner trustee. They did not ask the pensioners who they would like as a trustee. As in all quango-type operations, the trustees decided to appoint a pensioner trustee themselves.

I have no objection to the person who was appointed. My objection lies in the way in which he was appointed. The interests of the pensioners were disregarded. As I have said, I have no objection to the representative as a person. My complaint is that a dictatorial decision was made and the pensioners were ignored. Can the House really say that in those circumstances pensioners would not be resentful and would not find a pensioner trustee more acceptable? A pensioner trustee would be loyal to the fund for all the obvious reasons. I am not yet a pensioner, but on their behalf I resent the implication that because someone is a pensioner of a fund, they are not to be trusted to be a trustee.

The Minister and others have said that perhaps pensioners would not have sufficient expertise, but the former chairman of the trustees is now a pensioner. I submit that nobody would be more fitted to be a pensioner trustee than the former chairman of the trustees. I make my few remarks in support of the amendments and I hope that the Minister will accept them.

Mr. Miller: I shall be brief in dealing with the important amendmants under discussion.

First, in respect of amendment No. 16, I was considering the number of companies that already have independent trustees. I would bring to the House's attention a list of companies for which Law Debenture acts as an independent trustee. They are an amazing cross-section of British industry and include the Agricultural Mortgage Corporation, Amersham International, BAA, Bull Information Systems, Chloride, Cory Towage, Freemans, Guardian Royal Exchange Assurance, ICI, John Holt, Logica, Mercantile and General Reinsurance, the Ocean Group, 3i and George Wimpey. There could hardly be a better cross-section of British industry.

It is interesting that the pension trustees of those companies have deliberately chosen to introduce the principle of independence into their schemes. I am sure that none of those companies would be in the circumstances envisaged in amendmant No. 16, but the powers that it gives the authorities to appoint such a person as the list of companies I have read out already use are important and we should be prepared to accept them as a matter of principle

The hon. Member for Bristol, North-West (Mr. Stern) touched on the Hanson litigation. He was right to say that it was extremely expensive. The only winners were the Chancery Division of lawyers. I cast no aspersions on the Under-Secretary of State for Social Security, the hon. Member for Wanstead and Woodford (Mr. Arbuthnot), who is a member of that profession and who looks

[Mr. Miller]

surprised, but I am sure that he would agree that that is the truth. It is a great pity that many issues of principle had to be dealt with in that way and not by a more rational means.

Mr. Frank Field: My hon. Friend told me privately that I should have been referring to Imperial Tobacco and not British American Tobacco in my earlier intervention. He also said that if I were a smoker I would not have made that error. I am grateful to him for both points.

Mr. Miller: Amendment No. 1 is about the basic issue of democracy. We have heard an awful lot in this place today about issues of democracy, but it is something that we cannot forget. The hon. Member for Sevenoaks (Mr. Wolfson) made the wise suggestion that his party should examine carefully the interests of pensioners. If he says that with a majority of 19,000, the hon. Member for Bristol North-West, with a majority of 45, needs seriously to consider those wise observations.

The Confederation of Occupational Pensioners Associations—COPAS—sets the matter out in stark terms in a leaflet distributed to members of the Committee yesterday. Under the heading,

"Discrimination of the very worst kind",

the leaflet points out that

"NO existing Act of Parliament permits the discrimination which the Pensions Bill contains. Discrimination on the grounds of race, religion, gender or sexual orientation is unlawful.

But discrimination against pensioners will be enshrined in law if the Pensions Bill goes unamended".

9.30 pm

COPAS has a sound point. Its leaflet sets out the case for pensioners in detail, but I shall not repeat it all because time is pressing and several hon. Members have made that case clear already. The association represents a significant number of pensioners, and its arguments are based on the simple principles which, as my hon. Friend the Member for East Kilbride (Mr. Ingram) said, were touched on by the Goode inquiry but were not developed to their logical conclusion.

The leaflet continues:

"Many good pension schemes include a pensioner Trustee. No evidence has ever been produced that pensioner Trustees do not act in the best interests of their schemes overall. But where there are pensioner Trustees, they are there by agreement, which can be withdrawn, not by right."

Hon. Members on both sides of the House have said that putting a pensioner trustee in by statute would give such trustees the independence that would mark them out as different from people who can be leaned on by employers.

COPAS goes on to say:

"The truth is that unscrupulous employers can ensure that management Trustees do their bidding or face the consequences. They can also influence employee Trustees or remove them by sacking them from the company.

The one Trustee who is totally independent of the employer is the pensioner Trustee. The one Trustee who has the most time for his or her duties is the pensioner Trustee. The one Trustee with the longest—and, perhaps, the greatest—experience is the pensioner Trustee. The one Trustee with the biggest investment in the scheme—his or her life savings—is the pensioner Trustee.

Why, then, is the Bill denying all schemes the advantage of one truly independent pensioner/trustee watchdog?"

The amendment is specific and deals with people in mature schemes—those with more than 850 members. It raises some organisational issues; the hon. Member for Bristol, North-West pointed out some of them and my hon. Friend the Member for Southampton, Itchen (Mr. Denham) mentioned some others. But those can be addressed by good organisation and by ensuring that such schemes, with the enormous resources at their disposal, properly facilitate the trustees' carrying out of their functions, as has to be done for every other trustee. The exceptional circumstances mentioned by the hon. Member for Bristol, North-West need dealing with, but that could all be encompassed within the spirit of the amendment. The amendment would do a service to democracy in this country by encouraging the development of pensioner organisations that could participate in such schemes, as many of the COPAS members already do.

The points made during the debate are valid, and although there can be arguments about technical details, however one regards the specific amendments, the House should accept the principle and spirit underlying them. If the Government are serious about doing a service for the 7 million pensioners in this country, they should adopt the spirit of the amendments, which I urge the House to accept.

Mr. Bayley: I mentioned earlier that I had received a letter from a group pensions manager of Nestlé, in which he said:

"The key to preventing any future Maxwell . . . is good governance in trustee boardrooms."

I firmly believe that the key to good governance is to ensure that there is a strong voice for the beneficiaries of pension funds. There are, of course, three types of beneficiary for pension schemes: contributing members, deferred members, and pensioner members. I would have liked a situation in which the beneficiaries of the scheme, the people for whom the scheme was established in the first place, were a majority among the trustees, but sadly that is not to be the case, because the Government have stood in the way of that. Amendment No. 16 proposes that, in those circumstances, some redress could be achieved by allowing for the appointment of an independent trustee or trustees.

Many pension schemes are well managed. The Nestlé scheme has four managers, two pensioner members and six other members. It is an example of good governance. It is not just an academic or technical argument when I suggest that there are many cases of bad governance of pension schemes. Just recently, the pensions ombudsman published his latest report, which records 59 cases in which members' pension rights were violated by pension fund trustees. In the limited time that I have, I shall give two examples.

First, an employer agreed to augment a pension but withdrew that agreement at the time of the pensioner's retirement. The trustees in that case backed the employer. The pensions ombudsman said that they backed the employer because the

"alleged augmentation was made in ignorance of the true cost."

I am pleased to say that the pensions ombudsman upheld the pensioner's complaint and increased the pension by £2,890 and awarded compensation.

Secondly, a member of a pension fund was refused a transfer payment when he moved to different employment. The trustees stated that the scheme

"did not have liquid funds available to make a payment."

Again, the ombudsman, I am pleased to say, upheld the member's complaint and said that a transfer value of £108,000 should be paid of behalf of the member, plus a sum of compensation.

Many of the 59 cases are of trustees refusing to award the enhanced benefits that are stipulated under the schemes and promised to employees on redundancy. In many cases, the ombudsman upheld the complaint. In one case, he increased the member's pension by £8,300.

I firmly believe that if members of pension funds were better represented among the trustees of pension funds, such gross abuses would not take place, or certainly not so frequently. I really am concerned that the Government will not allow the House to give pension fund members the protection that they need with more adequate representation.

Amendment No. 1 specifically looks at the failure of the Bill as it currently stands to guarantee representation for pensioner trustees. I have had dozens of letters from my constituents about various aspects of the Bill, but on that issue in particular I have had a full postbag. John Taylor from the York and district campaign for equal state pension ages says:

"It should be mandatory that Pensioners Associations be allowed at least 2 nominated Trustees in their Pension Fund Scheme."

Mr. Greaves from the Transport and General Workers Union, retired members association, makes a similar point, as does Mr. Webb from the York branch of the British Transport pensioners federation.

The courts have said that pensions belong to pension fund members. They are deferred pay. The Government say that it is good practice to have pensioner trustees, so I hope that the Minister, if he insists on maintaining the Government's argument against the amendments, will explain why they are not backing amendments that will support what they say would be good practice.

Mr. Hague: The amendments all deal with the issue of member-nominated trustees. The key provision is contained in clause 16, which gives effect to the Goode committee's recommendation that members of pension schemes should have the right to nominate a proportion of the trustees of those schemes. The main effect of that recommendation—which the Government fully endorse, and which is reflected in clause 16—is to give ordinary scheme members the power to require that trust boards include at least some people whose perspective differs from that of the scheme sponsor, who typically appoints the majority of, if not all, of the trustees.

The underlying purpose of the provision is to reinforce the crucial feature of trust law: that trustees should be independent of the settlor or scheme sponsor, and should consider the interests of all the beneficiaries within the framework of the scheme trust deed and rules. Giving scheme members the power to nominate and select a proportion of trustees should significantly reduce any risk of trust boards' acting primarily in the interests of the scheme sponsor and compromising their responsibilities to scheme members.

There is a range of positive reasons for encouraging the appointment as trustees of people nominated by scheme members. I need not go into them in detail; I think that they have the support of the House. As for the arrangements that would be made to select member-nominated trustees, we were anxious to do as the Goode committee recommended—to avoid prescription, and to allow the wide variety of satisfactory arrangements currently in place to continue without unnecessary disturbance. That is why we have settled on a proposal that we consider flexible, which strikes an equitable balance between the interests of all parties.

Clause 16 leaves schemes free to introduce or maintain arrangements for selecting member-nominated trustees that suit their particular circumstances and are acceptable to members; but—this is an important point—both pensioners and active members will be given the opportunity to influence nomination and selection arrangements through their participation in the statutory consultation procedure.

I do not think that that point has been appreciated widely enough in the House or in the country as a whole. Much of our debate has been based on a misunderstanding. The Government do not oppose the appointment of pensioner trustees, but share the Goode committee's view that it should not be mandatory. We agree with all the positive points that have been made about the qualities of pensioner trustees. Our proposals for member-nominated trustees go further than those of the Goode committee in giving all scheme members—active and pensioner members, and deferred pensioners if trustees decide that it is desirable and practicable to include them—a say in the composition of the trust board through the statutory consultation procedure.

My hon. Friend the Member for Sevenoaks (Mr. Wolfson) rightly reminded me that pensioners look to the Government to ensure that their interests are looked after. As a result of the Government's proposal, millions of pensioners will be consulted about the arrangements for selecting member-nominated trustees—arrangements that will be subject to the pensioners' right to object to them and vote on them if enough people object. We are doing a great deal to ensure the involvement of pensioners.

Mr. Wolfson: It is clear that at this stage the Minister's arguments are not hitting home across the country. Many pensioners and their representatives feel that all is not as they would wish. We must change either the perception or the policy.

Mr. Hague: My hon. Friend has put his finger on it and he can guess which of those options I shall choose to take. It is important to change the perception. Perhaps in the new spirit of party unity we can set about that, and do so extremely effectively. I will expand on that point and on my argument.

Mr. Frank Field: Is the Minister saying that pensioners will be consulted if they are unhappy that they are not directly represented, that they will have the vote and that through that vote they will be able to get representation on the board? That is what I took him to say before his hon. Friend the Member for Sevenoaks (Mr. Wolfson) intervened.

9.45 pm

Mr. Hague: I am saying that the proposals for the selection of member-nominated trustees will be subject to an approval process in which, by law, active and pensioner members must be involved. If a certain proportion of them object—the hon. Gentleman has signed an amendment

[Mr. Hague]

which argues for a proportion or a minimum number, which I shall come to—there must be a ballot or alternative arrangements must be put forward. Pensioners will therefore always have a voice. They will have an influence over these matters. I am not sure that that has been sufficiently widely appreciated.

Mr. Miller: Will the Minister give way?

Mr. Hague: I will give way to the hon. Gentleman and then I should like to develop my argument.

Mr. Miller: Does the Minister agree that, in the context of the amendment proposed by my hon. Friends, we are dealing with mature schemes in many—indeed most—of which there are more pensioners than active members? Does he not believe that in those circumstances the annoyance of pensioners is understandably about the basic issue of fairness and democracy? Does he not understand that that issue needs to be addressed?

Mr. Hague: In those schemes, pensioners will have a huge influence over the selection arrangements. It will be a brave board of trustees that puts out proposals for consultation and for the approval of its members, if a majority of them are pensioners, which do not provide for pensioner involvement in the selection process. If it did so, many of the board members would regret it. That point is fully taken on board by the Government and reflected in our proposals.

The requirement in the Bill is that members should have a right to nominate at least one third of their scheme's trustees; a proportion of one third would be a statutory minimum. The hon. Member for East Kilbride (Mr. Ingram) touched on that point and compared it with the arguments for a 50 per cent. split. I should respond to that and I shall return to the point about pensioner representatives.

Employers set up schemes voluntarily. In the Government's view, they should be able, if they want to, to retain the right to appoint a majority of the trustees. An occupational pension scheme and its associated fund is established by an employer to achieve a business objective and the employer retains a considerable business and financial interest in the fund's performance and the scheme's effectiveness. The fund is, of course, held in trust by the trustees to be distributed on the basis set out in the trust deed and rules, but in a defined benefit scheme the employer is bound to meet the pension promise and to make good any deficit in the fund.

From a member's perspective, the fund offers a degree of security against the employer going insolvent, and it provides a vehicle for delivering their pension, but the pension that they receive is not dependent on the existence or performance of the fund. By contrast, the existence and performance of the fund is crucial to the sponsoring employer. It offers a tax-efficient way of providing an important part of the remuneration package, it smooths out the cash flow problems that a pay-as-you-go pension scheme incurs, and its performance and any consequent need to increase pension contributions can have a dramatic effect on company cash flow.

The employer is the one giving the guarantee. He must top up or make good the fund in the event of deficiency. He therefore has a major interest in the successful operation of the fund and it is only right that he should be in a position to ensure that the scheme will be administered sensibly.

Mr. Frank Field *rose—*

Mr. Hague: I shall give way one more time.

Mr. Field: Does the Minister now accept that he has made the case for pensioner trustees? He is saying that employers will not abide by those schemes unless they can have a majority of their people on the scheme to represent their views, despite all his talk that trust law will govern those trustees. If it is good enough for the employer to want a majority of members to represent his interests, surely there is a case for ensuring that there is a pensioner representative of pensioners' views.

Mr. Hague: There is a strong case for ensuring that there are member-nominated trustees—by which I mean, in that context, trustees nominated, not necessarily only by the active members, but by active and pensioner members. However, let me discuss in more detail the arguments of the hon. Member for Birkenhead (Mr. Field).

We recognise that there are many excellent schemes, more than one third of whose trustees are member-nominated trustees. We recognise that there are many schemes that have pensioner-nominated trustees, and that they can do a good job. The hon. Member for East Kilbride said that the Government had said that pensioners were not trusted or accepted by other members. That is a caricature of the argument made by my noble Friend Lord Mackay of Ardbrecknish in another place. The Government are not arguing that pensioners make bad trustees—quite the reverse. We agree with all the positive arguments made by the Goode committee and by the hon. Gentleman in his opening remarks. Our worry is about the mandatory nature of the proposal.

If pensioners are given a separate facility by statute to appoint a pensioner trustee, other members may well have reservations about the implications of that privileged position compared with the position of other members, and might fear that the pensioner trustee would be inclined to act in the interests of pensioners rather than of scheme members as a whole.

Mr. Stern: Will my hon. Friend give way?

Mr. Hague: I have to get on, but I give way to my hon. Friend.

Mr. Stern: Now that my hon. Friend has mentioned that matter, I hope that he will answer the argument that I made earlier—that while employers and members have the opportunity of an out from the scheme, pensioners are the one group which is irretrievably locked in, and that is the very group to which he is denying representation.

Mr. Hague: My hon. Friend makes a fair argument, but we must set it in the balance against the other arguments that I am about to make. As he clearly said in his speech, there may be no perfect solution and there are very different ways of considering those matters. We must balance some factors against others.

I believe, and the Government believe, that creating artificial distinctions between the members to whom, collectively, we are giving rights in the Bill may encourage members to believe that trustees are somehow representatives of the category of member to which they personally belong. Active members may come to regard a statutory pensioner trustee provided by the amendment as somehow called to represent the interests of pensioners.

Arguments can be made, once one has accepted that there should be a mandatory provision for a pensioner trustee, for provision for deferred pensioner trustees or for specific rules to be laid down to say that there must be active member trustees. One can extend that argument to considerable lengths, and argue that widows should be represented in some way. Many different interests are involved, and venturing into the mandatory representation of specific interests creates many more anomalies and difficulties than it is likely to solve.

That amendment would also not do justice—this is the argument of my hon. Friend the Member for Bristol, North-West (Mr. Stern)—to the wide variety of schemes which currently operate. The provisions in the Bill will allow schemes to develop their own arrangements for the selection of trustees, subject to the approval of the active and the pensioner members. Trustees will make those proposals to each active and pensioner member. Members' interests will be protected by a rigorous statutory consultation procedure, which includes consultation on all aspects of the selection process and the conditions necessary to become a member-nominated trustee.

For example, a scheme might decide that its circumstances required a pensioner trustee, or perhaps an independent trustee; whatever the trustees' proposals, however, pensioner members as well as active members will have the opportunity to approve or reject them. It seems clear that, where scheme membership consists of a reasonable proportion of pensioners, those members will be in a strong position to influence the nomination and selection process.

There is a third reason for rejecting amendment No. 1. It would upset the crucial balance between the interests of members and employers on the trust board. It would do that because it provides for a pensioner trustee in addition to whatever proportion of member-nominated trustees a scheme had determined. That would raise the minimum requirement for member-nominated trustees from at least one third to at least one half and, in many cases more than half, for all but the very largest trustee boards. Only if the board had exactly nine or more than 10 trustees could an employer be confident of being able to nominate a majority of them under that proposal. That would conflict with the point that I made earlier about the balance that we have struck.

The amendment would create artificial distinctions between members and constrain the freedom of pension schemes to develop selection rules best suited to their circumstances. It would upset the balance of interests contained in the statutory minimum of at least one third member-nominated trustees.

I emphasise that we have no objection whatever to pensioner trustees if that is what scheme members want. In the Bill we are giving millions of pensioners the right, which they do not have and have never had in the past, to be consulted along with the active membership. It is all very well for Labour Members to shake their heads, but the fact that pensioners will be consulted is set out on the face of the Bill. It is clear that they will be consulted when we have passed the Bill into law.

Amendment No. 16 seems to be designed to provide a back-door way of putting pressure on sponsoring employers to agree to have at least 50 per cent. member-nominated trustees. If they do not, the amendment would impose on them the cost, which could be substantial, of an independent trustee. There is no reason to believe that a scheme with under 50 per cent. of member-nominated trustees would necessarily benefit from the imposition of an independent trustee. It would be wrong to require the regulatory authority to consider applications made on that basis. Of course, if there are genuine concerns about the running of a scheme, however many member-nominated trustees it may have, the regulatory authority has the necessary powers under clause 7 to appoint an independent trustee.

It is a pity that amendment No. 12 has not been referred to very much in the course of our discussions as it is one with which I have some sympathy. It was tabled by my hon. Friend the Member for Brighton, Kemptown (Sir A. Bowden) and the hon. Member for Birkenhead. I appreciate that in larger schemes 10 per cent. of members will be a considerable number.

The practical details of the statutory consultation procedure are to be prescribed in regulations. That is still subject to consultation with those who have experience of the day-to-day operation of schemes. It is therefore not clear at this point that the amendment hits on the right number. The figure of 5,000 might be too low or, as I suspect, it may be too high. I am therefore unable to accept the amendment. I can assure my hon. Friend the Member for Kemptown and the hon. Member for Birkenhead that I will give the spirit of that amendment very careful consideration with a view to incorporating a provision on the same principle in secondary legislation.

For the reasons that I have given, I think that it would be wrong to sympathise in the same way with the other amendments. The Bill will represent a major extension of the rights of members of pension funds whether they be active or pensioner members. It is important for us to make that clear and for it to be clearly communicated in the way that my hon. Friend the Member for Sevenoaks has asked for. However, it would be wrong to elevate one group of members above the other groups of members, which is what these amendments would do.

Mr. Ingram: We have had a useful and interesting debate. It is interesting that the Minister is the only hon. Member who has argued against amendment No. 1. Every other contribution has argued for the principle of pensioner trustees and refuted all the arguments that were advanced by the Minister in his response. He has justified employer-based trustees on a sectional basis but denies that right to other groups that have the right, in the case of large schemes, to seek equal representation.

The case has been strongly argued. I do not intend to press amendment No. 16 to a Division. Given the weight of the arguments advanced in support of amendment No. 1, however, it is right that we should vote on that amendment in due course.

Amendment negatived.

Clause 16

REQUIREMENT FOR MEMBER-NOMINATED TRUSTEES

Amendment proposed: No. 1, in page 9, line 39, at end insert—

'(6A) The arrangements must provide that when a scheme has more than 850 members, and pensioner members comprise a majority, one additional trustee shall be nominated, who shall be a pensioner member of that scheme.'.—*[Mr. Ingram.]*

Question put, That the amendment be made:—

The House divided: Ayes 252, Noes 282.

Division No. 194] **[10.00 pm**

AYES

Abbott, Ms Diane
Adams, Mrs Irene
Ainger, Nick
Armstrong, Hilary
Ashdown, Rt Hon Paddy
Ashton, Joe
Banks, Tony *(Newham NW)*
Barnes, Harry
Barron, Kevin
Battle, John
Bayley, Hugh
Beckett, Rt Hon Margaret
Beggs, Roy
Bell, Stuart
Benn, Rt Hon Tony
Bennett, Andrew F
Bermingham, Gerald
Berry, Roger
Betts, Clive
Blunkett, David
Boateng, Paul
Bowden, Sir Andrew
Bray, Dr Jeremy
Brown, Gordon *(Dunfermline E)*
Brown, N *(N'c'tle upon Tyne E)*
Bruce, Malcolm *(Gordon)*
Burden, Richard
Byers, Stephen
Cabom, Richard
Callaghan, Jim
Campbell, Mrs Anne *(C'bridge)*
Campbell, Ronnie *(Blyth V)*
Campbell-Savours, D N
Cann, Jamie
Carlile, Alexander *(Montgomery)*
Chidgey, David
Chisholm, Malcolm
Church, Judith
Clapham, Michael
Clark, Dr David *(South Shields)*
Clarke, Eric *(Midlothian)*
Clarke, Tom *(Monklands W)*
Clelland, David
Clwyd, Mrs Ann
Coffey, Ann
Cohen, Harry
Connarty, Michael
Corbett, Robin
Corbyn, Jeremy
Corston, Jean
Cousins, Jim
Cunliffe, Lawrence
Cunningham, Jim *(Covy SE)*
Cunningham, Roseanna
Dalyell, Tam
Darling, Alistair
Davidson, Ian
Davies, Bryan *(Oldham C'tral)*
Davies, Rt Hon Denzil *(Llanelli)*
Davies, Ron *(Caerphilly)*
Davis, Terry *(B'ham, H'dge Hl)*
Denham, John
Dewar, Donald
Dixon, Don
Dobson, Frank
Donohoe, Brian H
Dowd, Jim
Dunnachie, Jimmy
Dunwoody, Mrs Gwyneth
Eagle, Ms Angela
Eastham, Ken
Etherington, Bill
Evans, John *(St Helens N)*
Ewing, Mrs Margaret
Fatchett, Derek
Faulds, Andrew
Field, Frank *(Birkenhead)*
Flynn, Paul
Forsythe, Clifford *(S Antrim)*
Foster, Rt Hon Derek
Foster, Don *(Bath)*
Foulkes, George
Fraser, John
Fyfe, Maria
Galloway, George
Garrett, John
Gerrard, Neil
Godman, Dr Norman A
Godsiff, Roger
Golding, Mrs Llin
Gordon, Mildred
Graham, Thomas
Grant, Bernie *(Tottenham)*
Griffiths, Win *(Bridgend)*
Grocott, Bruce
Gunnell, John
Hain, Peter
Hall, Mike
Harman, Ms Harriet
Harvey, Nick
Hattersley, Rt Hon Roy
Henderson, Doug
Hill, Keith *(Streatham)*
Hinchliffe, David
Hodge, Margaret
Hoey, Kate
Hogg, Norman *(Cumbernauld)*
Home Robertson, John
Hood, Jimmy
Hoon, Geoffrey
Howarth, George *(Knowsley North)*
Howells, Dr. Kim *(Pontypridd)*
Hoyle, Doug
Hughes, Kevin *(Doncaster N)*
Hughes, Robert *(Aberdeen N)*
Hughes, Roy *(Newport E)*
Hughes, Simon *(Southwark)*
Hutton, John
Illsley, Eric
Ingram, Adam
Jackson, Glenda *(H'stead)*
Jackson, Helen *(Sheffld, H)*
Jamieson, David
Janner, Greville
Johnston, Sir Russell
Jones, Barry *(Alyn and D'side)*
Jones, Ieuan Wyn *(Ynys Môn)*
Jones, Jon Owen *(Cardiff C)*
Jones, Lynne *(B'ham S O)*
Jones, Martyn *(Clwyd, SW)*
Jones, Nigel *(Cheltenham)*
Jowell, Tessa
Keen, Alan
Kennedy, Jane *(L'pool Br'dg'n)*
Khabra, Piara S
Kilfoyle, Peter
Kirkwood, Archy
Lestor, Joan *(Eccles)*
Lewis, Terry
Liddell, Mrs Helen
Litherland, Robert
Livingstone, Ken
Lloyd, Tony *(Stretford)*
Llwyd, Elfyn
Lynne, Ms Liz
McAllion, John
McAvoy, Thomas
Macdonald, Calum
McFall, John
McKelvey, William
Mackinlay, Andrew
McLeish, Henry
Maclennan, Robert
McMaster, Gordon
McNamara, Kevin
MacShane, Denis
McWilliam, John
Madden, Max
Mandelson, Peter
Marek, Dr John
Marshall, David *(Shettleston)*
Marshall, Jim *(Leicester, S)*
Martin, Michael J *(Springburn)*
Martlew, Eric
Maxton, John
Meacher, Michael
Meale, Alan
Michie, Bill *(Sheffield Heeley)*
Michie, Mrs Ray *(Argyll & Bute)*
Milburn, Alan
Miller, Andrew
Morgan, Rhodri
Morris, Rt Hon Alfred *(Wy'nshawe)*
Morris, Estelle *(B'ham Yardley)*
Mowlam, Marjorie
Mudie, George
Mullin, Chris
Murphy, Paul
Oakes, Rt Hon Gordon
O'Brien, Mike *(N W'kshire)*
O'Brien, William *(Normanton)*
Olner, Bill
O'Neill, Martin
Orme, Rt Hon Stanley
Parry, Robert
Pearson, Ian
Pickthall, Colin
Pike, Peter L
Pope, Greg
Powell, Ray *(Ogmore)*
Prentice, Bridget *(Lew'm E)*
Prentice, Gordon *(Pendle)*
Prescott, Rt Hon John
Primarolo, Dawn
Purchase, Ken
Quin, Ms Joyce
Radice, Giles
Randall, Stuart
Raynsford, Nick
Reid, Dr John
Rendel, David
Robertson, George *(Hamilton)*
Robinson, Geoffrey *(Co'try NW)*
Roche, Mrs Barbara
Rogers, Allan
Rooker, Jeff
Rooney, Terry
Ross, Ernie *(Dundee W)*
Ross, William *(E Londonderry)*
Ruddock, Joan
Salmond, Alex
Sedgemore, Brian
Sheerman, Barry
Sheldon, Rt Hon Robert
Short, Clare
Simpson, Alan
Skinner, Dennis
Smith, Andrew *(Oxford E)*
Smith, Llew *(Blaenau Gwent)*
Smyth, The Reverend Martin
Spearing, Nigel
Spellar, John
Squire, Rachel *(Dunfermline W)*
Steel, Rt Hon Sir David
Steinberg, Gerry
Stevenson, George
Straw, Jack
Sutcliffe, Gerry
Taylor, Mrs Ann *(Dewsbury)*
Taylor, Matthew *(Truro)*
Timms, Stephen
Tipping, Paddy
Touhig, Don
Turner, Dennis
Tyler, Paul
Walker, Rt Hon Sir Harold
Wallace, James
Walley, Joan
Wardell, Gareth *(Gower)*
Watson, Mike
Welsh, Andrew
Williams, Rt Hon Alan *(Sw'n W)*
Williams, Alan W *(Carmarthen)*
Wilson, Brian
Winnick, David
Wise, Audrey
Worthington, Tony
Wray, Jimmy
Wright, Dr Tony
Young, David *(Bolton SE)*

Tellers for the Ayes:
Mr. John Cummings and Mr. Robert Ainsworth.

NOES

Ainsworth, Peter *(East Surrey)*
Aitken, Rt Hon Jonathan
Alexander, Richard
Alison, Rt Hon Michael *(Selby)*
Allason, Rupert *(Torbay)*
Amess, David
Ancram, Michael
Arbuthnot, James
Arnold, Jacques *(Gravesham)*
Arnold, Sir Thomas *(Hazel Grv)*
Ashby, David
Atkins, Rt Hon Robert

Atkinson, David *(Bour'mouth E)*
Atkinson, Peter *(Hexham)*
Baker, Nicholas *(North Dorset)*
Baldry, Tony
Banks, Matthew *(Southport)*
Bates, Michael
Batiste, Spencer
Bellingham, Henry
Bendall, Vivian
Beresford, Sir Paul
Biffen, Rt Hon John
Bonsor, Sir Nicholas
Booth, Hartley
Bottomley, Peter *(Eltham)*
Bottomley, Rt Hon Virginia
Bowis, John
Boyson, Rt Hon Sir Rhodes
Brandreth, Gyles
Brazier, Julian
Bright, Sir Graham
Brown, M *(Brigg & Cl'thorpes)*
Browning, Mrs Angela
Bruce, Ian *(Dorset)*
Budgen, Nicholas
Burns, Simon
Burt, Alistair
Butcher, John
Butler, Peter
Butterfill, John
Carlisle, John *(Luton North)*
Carlisle, Sir Kenneth *(Lincoln)*
Carrington, Matthew
Carttiss, Michael
Cash, William
Channon, Rt Hon Paul
Churchill, Mr
Clappison, James
Clark, Dr Michael *(Rochford)*
Clarke, Rt Hon Kenneth *(Ru'cliff)*
Clifton-Brown, Geoffrey
Coe, Sebastian
Colvin, Michael
Conway, Derek
Coombs, Anthony *(Wyre For'st)*
Cope, Rt Hon Sir John
Cormack, Sir Patrick
Couchman, James
Cran, James
Currie, Mrs Edwina *(S D'by'shr)*
Curry, David *(Skipton & Ripon)*
Davies, Quentin *(Stamford)*
Davis, David *(Boothferry)*
Day, Stephen
Deva, Nirj Joseph
Devlin, Tim
Dicks, Terry
Dorrell, Rt Hon Stephen
Douglas-Hamilton, Lord James
Dover, Den
Duncan, Alan
Duncan-Smith, Iain
Dunn, Bob
Durant, Sir Anthony
Dykes, Hugh
Eggar, Rt Hon Tim
Elletson, Harold
Evans, David *(Welwyn Hatfield)*
Evans, Jonathan *(Brecon)*
Evans, Nigel *(Ribble Valley)*
Evans, Roger *(Monmouth)*
Evennett, David
Faber, David
Fabricant, Michael
Fenner, Dame Peggy
Field, Barry *(Isle of Wight)*
Fishburn, Dudley
Forman, Nigel
Forsyth, Rt Hon Michael *(Stirling)*
Forth, Eric
Fowler, Rt Hon Sir Norman
Fox, Dr Liam *(Woodspring)*
Fox, Sir Marcus *(Shipley)*
Freeman, Rt Hon Roger
French, Douglas
Gale, Roger
Gallie, Phil
Gardiner, Sir George
Garel-Jones, Rt Hon Tristan
Garnier, Edward
Gillan, Cheryl
Goodson-Wickes, Dr Charles
Gorman, Mrs Teresa
Gorst, Sir John
Grant, Sir A *(SW Cambs)*
Greenway, Harry *(Ealing N)*
Greenway, John *(Ryedale)*
Griffiths, Peter *(Portsmouth, N)*
Hague, William
Hamilton, Neil *(Tatton)*
Hampson, Dr Keith
Hanley, Rt Hon Jeremy
Hannam, Sir John
Hargreaves, Andrew
Haselhurst, Sir Alan
Hawkins, Nick
Hawksley, Warren
Hayes, Jerry
Heald, Oliver
Heathcoat-Amory, David
Hendry, Charles
Hicks, Robert
Higgins, Rt Hon Sir Terence
Hogg, Rt Hon Douglas *(G'tham)*
Horam, John
Hordern, Rt Hon Sir Peter
Howarth, Alan *(Strat'rd-on-A)*
Howell, Sir Ralph *(N Norfolk)*
Hughes, Robert G *(Harrow W)*
Hunt, Sir John *(Ravensbourne)*
Hunter, Andrew
Hurd, Rt Hon Douglas
Jack, Michael
Jackson, Robert *(Wantage)*
Jenkin, Bernard
Jessel, Toby
Johnson Smith, Sir Geoffrey
Jones, Gwilym *(Cardiff N)*
Jones, Robert B *(W Hertfdshr)*
Kellett-Bowman, Dame Elaine
King, Rt Hon Tom
Kirkhope, Timothy
Knapman, Roger
Knight, Mrs Angela *(Erewash)*
Knight, Greg *(Derby N)*
Knight, Dame Jill *(Bir'm E'st'n)*
Knox, Sir David
Kynoch, George *(Kincardine)*
Lait, Mrs Jacqui
Lamont, Rt Hon Norman
Lang, Rt Hon Ian
Lawrence, Sir Ivan
Legg, Barry
Leigh, Edward
Lennox-Boyd, Sir Mark
Lidington, David
Lightbown, David
Lilley, Rt Hon Peter
Lloyd, Rt Hon Sir Peter *(Fareham)*
Lord, Michael
Luff, Peter
Lyell, Rt Hon Sir Nicholas
MacGregor, Rt Hon John
MacKay, Andrew
Maclean, Rt Hon David
McLoughlin, Patrick
McNair-Wilson, Sir Patrick
Madel, Sir David
Maitland, Lady Olga
Malone, Gerald
Mans, Keith
Marland, Paul
Marlow, Tony
Marshall, John *(Hendon S)*
Martin, David *(Portsmouth S)*
Mates, Michael
Mayhew, Rt Hon Sir Patrick
Merchant, Piers
Mills, Iain
Mitchell, Andrew *(Gedling)*
Mitchell, Sir David *(NW Hants)*
Moate, Sir Roger
Monro, Sir Hector
Montgomery, Sir Fergus
Moss, Malcolm
Nelson, Anthony
Neubert, Sir Michael
Newton, Rt Hon Tony
Nicholson, David *(Taunton)*
Nicholson, Emma *(Devon West)*
Norris, Steve
Onslow, Rt Hon Sir Cranley
Oppenheim, Phillip
Ottaway, Richard
Page, Richard
Paice, James
Patnick, Sir Irvine
Patten, Rt Hon John
Pattie, Rt Hon Sir Geoffrey
Pawsey, James
Peacock, Mrs Elizabeth
Pickles, Eric
Porter, Barry *(Wirral S)*
Porter, David *(Waveney)*
Portillo, Rt Hon Michael
Powell, William *(Corby)*
Rathbone, Tim
Redwood, Rt Hon John
Renton, Rt Hon Tim
Richards, Rod
Riddick, Graham
Rifkind, Rt Hon Malcolm
Robathan, Andrew
Roberts, Rt Hon Sir Wyn
Robertson, Raymond *(Ab'd'n S)*
Robinson, Mark *(Somerton)*
Roe, Mrs Marion *(Broxbourne)*
Rowe, Andrew *(Mid Kent)*
Rumbold, Rt Hon Dame Angela
Sackville, Tom
Sainsbury, Rt Hon Sir Timothy
Shaw, David *(Dover)*
Shaw, Sir Giles *(Pudsey)*
Shephard, Rt Hon Gillian
Shepherd, Colin *(Hereford)*
Shepherd, Richard
Shersby, Sir Michael
Sims, Roger
Smith, Tim *(Beaconsfield)*
Soames, Nicholas
Spencer, Sir Derek
Spicer, Sir James *(W Dorset)*
Spicer, Michael *(S Worcs)*
Spink, Dr Robert
Spring, Richard
Sproat, Iain
Squire, Robin *(Hornchurch)*
Stephen, Michael
Stewart, Allan
Streeter, Gary
Sumberg, David
Sweeney, Walter
Sykes, John
Tapsell, Sir Peter
Taylor, Ian *(Esher)*
Taylor, John M *(Solihull)*
Taylor, Sir Teddy *(Southend, E)*
Temple-Morris, Peter
Thomason, Roy
Thompson, Sir Donald *(C'er V)*
Thompson, Patrick *(Norwich N)*
Thornton, Sir Malcolm
Thurnham, Peter
Townend, John *(Bridlington)*
Townsend, Cyril D *(Bexl'yh'th)*
Tracey, Richard
Tredinnick, David
Trend, Michael
Trotter, Neville
Twinn, Dr Ian
Vaughan, Sir Gerard
Viggers, Peter
Waldegrave, Rt Hon William
Walker, Bill *(N Tayside)*
Waller, Gary
Wardle, Charles *(Bexhill)*
Waterson, Nigel
Watts, John
Wells, Bowen
Wheeler, Rt Hon Sir John
Whitney, Ray
Whittingdale, John
Widdecombe, Ann
Wiggin, Sir Jerry
Wilkinson, John
Willetts, David
Wilshire, David
Winterton, Mrs Ann *(Congleton)*
Winterton, Nicholas *(Macc'fld)*
Yeo, Tim
Young, Rt Hon Sir George

Tellers for the Noes:
Mr. Sydney Chapman and
Mr. Timothy Wood.

Question accordingly negatived.

It being after Ten o'clock, further consideration of the Bill stood adjourned.

Motion made, and Question put forthwith, pursuant to Standing Order No. 14 (Exempted business),

That, at this day's sitting, the Pensions Bill *[Lords]* may be proceeded with, though opposed, until any hour.—*[Mr. Kirkhope.]*

Question agreed to.

Mr. Brian Wilson (Cunninghame, North): On a point of order, Madam Deputy Speaker. I am sure that you are aware, as is the House, of the rather sorry background to the case of BMARC and arms to Iran. In particular, I refer to the fact that, in both written and oral parliamentary statements during that time, Ministers, as they have acknowledged, misled the House—inadvertently, no doubt—because of the non-availability of papers that were held by Government Departments.

We are also aware that those papers have now surfaced, and there is no longer any doubt about their importance. We understand that some examination, several years belatedly, is being made of them. I am sure that you would agree, Madam Deputy Speaker, that, if information were to come out of those papers that had further implications for oral and written statements made to the House by Ministers, the House must be the first to know the contents of those papers.

In particular, if any information which comes out of the BMARC papers has any implications for the position of the Chief Secretary to the Treasury or any other Minister, the House must be the first to know about it. I ask you, Madam Deputy Speaker, to safeguard the House's interests in that respect.

Madam Deputy Speaker (Dame Janet Fookes): The hon. Gentleman and the House will understand that that is not a matter over which the Chair has any jurisdiction. The hon. Gentleman must find other ways of pursuing the issue.

New clause 21

EXTENSION OF PENSIONS APPEAL TRIBUNALS ACT 1943

'(1) The Pensions Appeal Tribunals Act 1943 is amended as follows.

(2) In section 1 (appeals against rejection of war pension claims made in respect of members of armed forces)—

(a) in subsection (1), after "administered by the Minister" there is inserted "or under a scheme made under section 1 of the Polish Resettlement Act 1947", and

(b) in subsections (3) and (3A), for "or Order of His Majesty" there is substituted ", Order of Her Majesty or scheme".

(3) In section 7 (application of Act to past decisions and assessments)—

(a) in subsection (2), at the beginning there is inserted "Subject to subsection (2A) of this section,", and

(b) after that subsection, there is inserted—

"(2A) Subsection (2) of this section shall not apply in relation to any decision given by the Minister before the passing of this Act which corresponds, apart from any difference of the kind referred to in that subsection, with such a decision as is referred to in section 1 of this Act in respect of claims made under the scheme referred to in that section."

(4) In section 10 (power to modify sections 1 to 4 by Order in Council), in subsections (1) and (2), for "or Order of His Majesty" there is substituted ", Order of Her Majesty or scheme".

(5) In section 12 (interpretation), in the definition of "relevant service"—

(a) for "or Order of His Majesty" there is substituted ", Order of Her Majesty or scheme", and

(b) for "or Order" there is substituted ", Order or scheme".

(6) In the Schedule (constitution, jurisdiction and procedure of Pensions Appeal Tribunals), in paragraph 3(2), after paragraph (b) there is inserted—

"(ba) if the claim was made under the scheme referred to in section 1 of this Act in respect of a person who is treated under the scheme as an officer, shall be a retired or demobilised officer of Her Majesty's naval, military or air forces;

(bb) if the claim was made under the aforesaid scheme in respect of a person who is treated under the scheme as a soldier, shall be a discharged or demobilised member of any of the said forces who was not at the time of his discharge or demobilisation an officer;".'.—*[Sir Jim Spicer.]*

Brought up, and read the First time.

10.15 pm

Sir Jim Spicer (Dorset, West): I beg to move, That the clause be read a Second time.

I count it as a privilege to move this new clause. I remember so well going across to Belgium in November 1944 with members of the 1st Polish armoured division just after four members of the provisional Polish Government, who were based in London, had flown to Lublin to have discussions with the new Government set up by the Soviet Union. Those four members disappeared and were never seen again. Those people, who served so gallantly in the Polish armed forces alongside us in the battle of Britain, in Italy and north-west Europe, deserve our gratitude for all they did to support us.

This is a simple matter, which the House should pass on sidethe nod. The new clause introduces an extension of the war pension appeal provisions, and gives Polish service men who served under British command in world war two a statutory right of appeal to a war pensions appeal tribunal against a decision on a claim to a war pension or a war widow's pension. I need say no more. This is a simple issue, and something should have been done about it years ago.

I am grateful that, in the year of the 50th anniversary of VE day, we are able to say to those who fought alongside us in the war that this is the very least we can do to recognise all they did for us so many years ago.

Mr. Hague: I congratulate my hon. Friend the Member for Dorset, West (Sir. J. Spicer) on proposing the new clause in such an eloquent manner. Polish service men dissatisfied with a decision on a war pension claim are able to seek a review of that decision from the War Pensions Committee. But I understand their view that, as a matter of principle, they should have a statutory right of appeal on the same basis as British service men. I entirely agree that it is most fitting that this change should be introduced during this year of world war two anniversaries. The Government are happy to accept the new clause.

Question put and agreed to.

Clause read a Second time, and added to the Bill.

New clause 11

ONE THIRD RATE SERVICE WIDOWS' PENSION

'Widows of members of Her Majesty's Armed Forces who retired or who died in service before 31st March 1973 shall, in all cases where a pension is payable under the terms of the Armed Forces Pension Scheme, be entitled to receive a pension based on one half of their late husband's retired pay or pension.'.—*[Mrs. Ewing.]*

Brought up, and read the First time.

Mrs. Margaret Ewing (Moray): I beg to move, That the clause be read a Second time.

Madam Deputy Speaker: With this, it will be convenient to discuss also the following: New clause 12—*Post 1973 war widows—*

'Notwithstanding any other enactment, a widow awarded a Forces Family Pension (Attributable) shall receive that pension for life.'.

New clause 13—*Post 1973 war widows (No. 2)*—

'Notwithstanding any other enactment, a widow in receipt of a Forces Family Pension (Attributable) shall receive that pension for life.'.

New clause 14—*Post-retirement marriage: service widow's pension*—

'Without prejudice to benefits already available under the terms of the Armed Forces Pension Scheme for widows of members of Her Majesty's Armed Forces with service beyond 6th April 1978, no widow of a member of Her Majesty's Armed Forces shall be disqualified from receiving a full pension under that scheme in relation to her late husbands's membership of Her Majesty's Armed Forces by virtue of the fact that the marriage occurred after he had retired from Her Majesty's Armed Forces, provided that that marriage was before his 65th birthday and had lasted for at least three years.'.

Government amendment No. 84.

Mrs. Ewing: I feel greatly honoured to move the new clause, which is supported by hon. Members of all political persuasions. This year, we have seen the celebrations of the 50th anniversary of the setting up of the UN. Those of us who are sharing a similar anniversary are only too well aware that our generation has grown up in a time of peace, and we owe a great debt to those who went before us. It is important that we pay tribute to the men and women who gave so much in previous wars to enable my generation and subsequent generations to have the feeling of peace within Europe.

I wish to pay tribute to the Officers Pensions Society, which has done so much to ensure that hon. Members are aware of the difficulties faced by war widows—or victory widows as we prefer to call them. It has done so much to ensure that people are made well aware of the implications of new clauses 11, 12, 13 and 14. New clause 11 focuses on those widows, all of whom are now over 75 years of age, whose husbands retired or died in service before 31 March 1973 and who, as a result, receive only one third of their late husbands' service retired pay or pension.

Hon. Members will have seen, either in the press or by reading their own mail, the case of Mrs. Wormack. They will have been as horrified as I was to find that the occupational pension earned for her by her husband after 23 years of service, including the whole of the second world war—service which saw him promoted to the rank of captain, involved him in risking his life in the service of the Crown and left him suffering until the day he died—is today worth, after tax, £140 a month. That lady is typical of hundreds of war widows who, in the evening of their own lives, look to us in this House today to take this opportunity to improve their position before it is too late.

Several of those widows have said to me, and, I suspect, to other hon. Members, "I suppose that they are just waiting for us to die." Those widows are dying at the rate of 1,300 a year. If we agree to help them, as the nation clearly wants us to, it will hardly be an open-ended commitment. I feel that a principle of social justice is at stake—the debt we owe those widows and their families.

The Government contend that there are three main obstacles to improving the pensions. First, they say that it will cost £27 million each year. There are several points that we need to make. First, that is almost certainly an exaggerated figure. The Government said that 16,500 widows would benefit from the amendment already secured by Lord Freyberg in the other place. Some four months on, only 6,500 have applied, thus reducing the estimate by almost two thirds.

Secondly, many of the ladies are on some form of income support, which is vastly more expensive to apply than giving them the pensions to which their husbands contributed. The Government also say that it would not be right to pay older widows half-rate pensions, because their husbands did not buy into half-rate pensions as the younger service men did.

The truth is that, despite the fact that the Government received constant warnings in 1973, when the half rate was introduced, that there would be problems of hardship in future, the Government refused to give older service men the opportunity to buy in—most would have taken that opportunity. If there is an inequity, it is that the Government denied older service men the opportunity to provide for their widows. That was the inequity in which the Government persisted.

The subject of retrospection is often raised. That, in itself, is not worth considering; we all know of situations in which retrospection is ignored when it suits the Government. A detailed examination of 14 other comparable allied schemes reveals that the United Kingdom is the only state that persists in paying any service widows less than 50 per cent. Some states pay as much as 71 per cent. Meanwhile, we in the United Kingdom continue to pay our older widows 33 per cent.

Thirdly, the most plausible obstacle raised by the Government is that, if the elderly service widows were to be given 50 per cent. of their late husbands' service retired pay or pension, it would have to be paid to all the public services. How many obligations have the Government ducked on the basis of precedent? We must answer the question today, and decide whether or not the armed forces are a special case. I speak not only as a Member of Parliament with clear defence interests—with two key RAF bases in my area—but as one who has grown up in a generation of peace. I believe that we have a responsibility to all such widows.

Most people who write to me and to other hon. Members think that they are a special case. We tended to think so until the Whitehall ethic tried to subdue us all. I draw particular attention to the comments of the Prime Minister when he first entered Parliament—perhaps it is not a key thought in his mind this evening. In his first year as a Back Bencher, he made a memorable speech in a debate about service pensions, in which he said:

"service men, by virtue of their profession, are in a special position and should be treated accordingly . . . I ask him to promise that the door is not closed on justice for these pensioners and their widows".—[*Official Report*, 2 May 1980; Vol. 983, c. 1846.]

That plea is echoed by all those hon. Members who have remained in the Chamber this evening to ensure that justice is done. That view is echoed also by the 251 Members of Parliament who put their signatures to early-day motion 186, tabled by the right hon. Member for Manchester, Wythenshawe (Mr. Morris), and by the 59 Front Benchers who have written to the Victory Widows Campaign assuring it of their support.

In the first of the new clauses, we must decide to do what our constituents have asked us to do and what we feel is the right thing to do: bring the pensions of elderly service widows—our victory widows—up to the half-rate pensions which their younger colleagues receive, and

[Mrs. Ewing]

closer to the pensions paid to service widows by all the European and western nations that fought with and against us in the war.

On the 50th anniversary of victory in Europe and victory in Japan, we would do well to remember that, from 1939 to 1945, those who were called upon to guarantee our continued freedom from fascism risked everything in so doing. We are talking about their widows this evening. I trust that the new clauses will be accepted as part of the Bill.

Sir Jim Spicer: I shall address my remarks to new clause 12, the second clause with which we are dealing tonight, which refers to war widows who have been awarded attributable forces family pensions. It states that they should keep that pension for life, regardless of any subsequent change in their marital status.

The hon. Member for Moray (Mrs. Ewing) spoke about elderly war widows; I am talking about the younger generation of war widows, who I believe have been treated quite disgracefully over many years. I shall expand on that point. War widows are not treated as well as many other widows. Should they remarry, war widows lose all pension rights, whereas most widows keep their pensions for life. Now is not the occasion to talk about private pension schemes, but 84 per cent. of widows involved in private pension schemes keep their pensions for life, and 21 per cent. of all public pension schemes in the United Kingdom are retained for life.

The lump sums on death awarded to widows of firemen or policemen are significantly more generous than those given to war widows. The widow of a policeman receives five times the annual salary. In the case of firemen and Royal Ulster Constabulary officers—whose situations are closest to those of soldiers and whose lives have been at risk over the years—their widows receive seven times the annual salary, whereas armed forces widows receive two times the basic salary.

Whatever else the Government can or cannot do, I would like my hon. Friend the Minister for Social Security and Disabled People to give me an absolute commitment that the Government will re-examine the figure for war widows, and increase it sevenfold to match the sum received by widows of RUC officers and firemen. How can we possibly equate the situation of service men with that of firemen? How many times are firemen tragically killed on duty, compared with the number of service men killed on duty? I hope that my hon. Friend will confirm that the Government intend to examine that situation.

Rev. Martin Smyth (Belfast, South): I appreciate the hon. Gentleman giving way on that point, and particularly the contrast that he makes with RUC members. One sympathises with and understands his point. Twice a squaddie's salary is a pittance compared with five times the salary of an RUC constable. That is not in any sense treating in a generous spirit the widows of those who have served in the nation's defence.

10.30 pm

Sir Jim Spicer: I am grateful to the hon. Gentleman, who reinforces my point. On the streets of Belfast or anywhere else in Northern Ireland, members of the RUC and of the armed forces have served side by side. They have shared the same risks and stood the same chance of being killed, so it seems intolerable that we should allow them to be treated differently.

The independent review team recommended that all service widows should receive a pension for life, regardless of any change in marital status. I should like an undertaking from the Government that that recommendation will be considered positively, and that action will be taken in the short term, not the long term.

The argument against is for doing nothing at all. Civil servants—with my apology to all civil servants—come out of the woodwork and say, "But Minister, if you do this, you might open the door to other people." There are no other people in the same category. Members of our armed forces are a special category, and deserve special treatment.

If I were a Minister and anyone said to me, "How can you say that these people are a special case? If you give a pension to them, you must give a pension to everyone else," I would answer, "Go away. You don't understand what we have done and why we have done it." I beg Ministers not to be deluded by that totally wrong view, which would not be supported by the vast majority of the public. There would be no knock-on effect unless one allowed it.

The widows of men who die in the service of their country are a special case. In my view, public opinion demands that they be treated as such. There is no question of an overspill or a concession to other groups, so please let us not have that offered as an excuse.

There is no better year than this to deal with that problem. The husbands of a number of war widows—some of them are in the Public Gallery tonight—were killed on active service in the Gulf war. Those widows know that, if they remarry, they will put at risk their existing pension. It would be iniquitous to say to them, "You should not think about remarrying, or you should think three times about doing so, because if you remarry we shall take this pension away from you."

We are looking at a pittance in cash terms. I ask my hon. Friend the Minister to take a sensible view, and I beg the Government—if they cannot accept new clause 11—seriously to consider a times seven award and the other aspect that I emphasised.

Mr. Alfred Morris (Manchester, Wythenshawe): If I were asked to suggest a poetic text to preface the debate on this group of amendments—all of which have my support—I would be tempted to choose Rudyard Kipling's poem "Tommy":

"it's 'Thank you, Mister Atkins,' when the band begins to play"

and

"it's 'Saviour of 'is country' when the guns begin to shoot."

But when the war is over, then

"it's Tommy this, an' Tommy that, an' Tommy go away."

The hurt that poem expresses about double standards well reflects the feelings of many war and service widows as they strive—happily now with the support of hon. Members in all parts of the House—to remove the heartless and mindless restrictions that demean both them and the memory of husbands who fought that we might live in freedom. All of them are the widows of husbands who fought in war, to whom we owe an undoubted debt of honour. But, to the shame of Whitehall and

Westminster alike, most of them now have to apply for some degree of income support even barely to make ends meet.

New clause 14 would affect, by definition, widows most of whom are now over 75 years of age. They could thus hardly be more deserving. There are no widows as disadvantaged as they are in any of the European or allied nations' military pension schemes that were examined by the Officers Pensions Society. Their husbands served through most of the second world war and retired before April 1973. They contributed to an eventual widow's pension both by their service to the Crown and by effective financial contributions throughout their service, a point to which I shall return as I proceed. They made only one mistake: they married after retirement, and, for that reason, all their contributions were cancelled.

One case which comes to mind is that of Lady Earle. Her first and second husbands gave between them 80 years of service in the Royal Air Force, yet she receives no pension from either of them. Officials call such widows post-retirement marriage widows, or PRM. In having no provision of a pension made for them, they are almost unique in the world. Our own pensions scheme provides pensions for all our widows whenever they marry. So, too, do the schemes of every other nation's armed forces. Even the UK scheme does so for the younger service widow, as do almost all commercial schemes and most public schemes as well. So why are the PRM widows so isolated?

The main argument for so astonishingly neglecting those widows is precedent—that, if they were granted pensions, civil servants would have to be given the same. The Victory Widows Campaign does not seek to evade that argument by claiming, as it might, that the armed forces are a special case, although we all know that they are. Indeed, as the hon. Member for Moray (Mrs. Ewing) said, the Prime Minister explicitly and strongly made that point in a speech in this place.

No, the campaigners have faced the issue of precedent head on, by devising a scheme which provides a PRM pension only if the widows' husbands had been civil servants. They have imposed upon themselves the limitation that the marriage must have been entered into before the ex-service man reached the age of 65, the age up to which, in the 1950s, 1960s and 1970s, almost all civil servants worked. By contrast, the average age of retirement for the armed forces was nearer 45, and post-retirement marriage was a most unwelcome problem. One important factor in choosing the age of 65 is that service men had, and in fact still have, a liability to recall up to that age.

Nor is it essentially a matter of cost. The Ministry of Defence insists that it cannot provide an accurate estimate of the cost, and this makes it uncertain ground upon which to argue. Experience shows, moreover, that most Government estimates in such matters are over-estimates. The Department of Social Security predicted that 16,500 widows would apply for the enhancement secured by Lord Freyberg, to whom I again pay warm tribute today for his extremely important help in another place, when he amended the Bill.

Hon. Members will be familiar with the case of Mrs. Charney, featured in the Victory Widows Campaign's advertisement. Her husband was a Spitfire pilot. His early days included defending Malta from air attack. He and his few brave colleagues displayed unparalleled courage, and it was no surprise when he was awarded his first Distinguished Flying Cross. He flew with total disregard for his own safety in the battle of the Falaise Gap, for which he was awarded a second DFC. He married Mrs. Charney shortly after retiring from the RAF, on completion of 30 years as a fighter pilot. Simply because he married after retirement, his contributions were pocketed by the Treasury, and his widow gets not a penny. She has had a struggle to survive; she has sold his medals and his flying log book in order to raise cash.

In this 50th anniversary year of victory in the second world war, is that not a total disgrace? Does anyone in any part of the House dare to defend the grossly shabby treatment meted out to this unmerited victim of the present system?

I ask the House to see this as a matter of honour, a debt that must now be settled. I ask that elderly service widows like Mrs. Charney, on whose behalf I speak, be granted a pension comparable to that which they would have received had they married their husbands before they retired from HM armed forces. I so move, and, in moving, I must again make it clear that, if the battle still has to go on after tonight to achieve fairness for these widows, then go on it will.

Sir Peter Lloyd (Fareham): The hour is late and I want to touch on one brief, specific point on new clause 14. It is very similar to the point ably made by the right hon. Member for Manchester, Wythenshawe (Mr. Morris). It is an important point because it would right a particular unfairness well illustrated by a retired service couple living in my constituency.

The husband paid his contributions throughout his service. He retired before 1978. His wife, who of course qualified for a widow's pension, alas, died. The husband then remarried the widow of another former service man. On remarriage, as the rules stand, his wife naturally lost her service widow's pension. If her present husband dies before her, as the rules stand she will not regain the pension earned by her first husband's contributions which she forfeited on remarriage. She will also be denied any pension earned on her second husband's contributions. That is clearly not right.

I hope that my hon. Friend the Minister will be able to assure me in his response that he will find a way of automatically restoring service widows' pensions to those who were once entitled to them but lost them on remarriage if they are widowed a second time, and especially if they are left without any equivalent occupational pension on their second husband's contributions.

If he can so assure me, I shall admire my hon. Friend's humanity, I shall rely on his ingenuity, and I shall refrain from going into the Lobby in support of the new clause.

10.45 pm

Mr. Simon Hughes (Southwark and Bermondsey): It is clear from the speeches already made, and from the new clauses of the hon. Members for Moray (Mrs. Ewing) and for Dorset, West (Sir J. Spicer), and of the right hon. Member for Manchester, Wythenshawe (Mr. Morris), that what we are trying to do has huge support in the House. My right hon. and hon. Friends and I add our voices to those of not just the six political parties represented in the new clauses, but all our colleagues who have expressly

[Mr. Simon Hughes]

requested the changes and the huge number of people who have written—I can certainly vouch for it from my postbag—in support of them.

I do not want to repeat what has been said by colleagues, but I shall add a word or two about new clauses 12 and 13—they are alternatives, one better than the other—and then say something about new clause 14. As has been alluded to, if not expressly set out, the present position is that war widows of service men who died on active service after 1973 are entitled to both the Ministry of Defence and the war widow's pension. I understand that there are 2,200 such widows. Both those entitlements cease on remarriage.

Many people will testify to the fact that the consequence has been that many women do not remarry, in spite of their personal circumstances and wishes, because they know how that would prejudice their position. They are deprived of the opportunity of remarriage because it is not financially viable, and therefore have two alternatives—to carry on a relationship illicitly and risk running the gauntlet of the investigation services of the Department of Social Security and so on, or to be deprived of any stable second relationship. The War Widows Association of Great Britain claims that only one in every 100 war widows has remarried—far fewer than in any comparable group. Clearly, that statistic is a result of the present financial position.

The cost to the Treasury would reportedly be extremely small. The MOD in-house pension review team report concluded that retaining such pensions for life would cost less than £1 million a year. Moreover, the War Widows Association of Great Britain and others argue that actually the net cost could be negative, because of the benefits being claimed otherwise. We would give out with one hand but recoup with another. A young widow who does not remarry costs the DSS a considerable sum—perhaps as much as £1 million over her whole lifetime.

I ask the Minister to confirm that the change would not affect a huge number of people—indeed, that the number is small—and that it would not necessarily mean a net cost to the Treasury. But as the right hon. Member for Wythenshawe made absolutely clear, even if it did mean a net cost, it is something that in all justice we should do.

The right hon. Member for Bridgwater (Mr. King) is not in his place now, but in 1989, when he was Secretary of State for Defence, he said in the House that the husbands had fully paid for the pensions for life. There is no argument about that; the contributions have been fully made.

By way of comparison, 84 per cent. of all public and private pension schemes in this country now pay a pension which, once obtained on widowhood, is retained for the rest of one's life, irrespective of changes in one's status. We have heard that that is true of most other military pension schemes, too. We are the only country with a hard, immovable rule, which is not only unjust but has been unjust for far too long. It seems incompatible with everything that we said on the 50th anniversary of VE day, to continue that penny-pinching anomaly.

Any widow of someone killed in an industrial or mining accident receives compensation that is not affected by subsequent remarriage. Policemen's and firemen's attributable pensions, largely in the form of gratuities, and the occupational element, are in the same category, in the sense that they are restored on subsequent bereavement.

I hope that the Minister will agree to the new clauses, or at least, as the hon. Member for Dorset, West requested, that he will say that before the end of this year the Government will agree to the changes for which we ask. Clearly, new clause 12 is more generous than new clause 13, because it would apply to all widows.

New clause 14 deals with a small anomaly that it is mean for the Government not to correct in the way that it suggests. Post-retirement marriage pensions have been in existence for 17 years, but only service after that time counts towards a pension. Therefore, two categories suffer. Older widows receive nothing, as do widows of husbands who retire between 1978 and 2000, or, as I understand it, 2012 for officers' widows. Those categories receive only a variable fraction of the full war widow's pension.

The point of principle has been made that the new clause would give fair treatment to service widows who married their husbands after they had left the service. There is a qualification in the new clause that the marriage must be before a 65th birthday and has to have lasted for three years. Those are perfectly reasonable preconditions for entitlement. An amendment was moved and the case well argued in another place, but unfortunately it is not something that the Government have conceded. The real unfairness of not doing so is that the majority of comparable schemes in other countries would give the entitlement.

We as Members of Parliament—Ministers and Members alike—have voted that we have this entitlement, so marriage to a Member of Parliament subsequent to service, provided that it meets the preconditions, entitles somebody to the Member's pension. It is not acceptable that we vote for the entitlement for ourselves, while those who have served, and their dependants after their death, are not entitled to it. It is unacceptable that widows who are in the category before 1978 receive no pension.

I hope that the Minister understands the strength of feeling. The issue will not go away, and it does not deserve to do so. Given that the Government may be feeling a little more relaxed and enthusiastic this evening, I hope that the Minister will start doing things that are not only right but vote-winning. I offer him this, as do my colleagues, as the first way in which to restore the Government's credibility. A victory in Committee Room 12 is one thing, but a victory on the Floor of the House is much more valuable and might do much more for the Prime Minister's image than the votes of his colleagues earlier this evening. It is a chance for the Minister to make another mark in his career. Who knows? He might be rewarded as early as tomorrow morning.

Sir Andrew Bowden: I support the new clauses. I shall concentrate my comments on pre-1973 war widows. After 50 years, it is too easy to forget that when they were young women, they watched their husbands go to war and never return. It is a matter of deep shame that the pensions that they receive are the worst in western Europe. Immediate steps should be taken to increase their pension from 33⅓ per cent. to 50 per cent. of their husband's pension. Some 80 per cent. are over 70; the majority are between 75 and 85. Nearly all of them have financial problems, and it is appalling that so many have to apply for and receive income support. But for the sacrifices of their husbands, this debate would not be taking place.

The words that so many of us will have heard at meetings of Royal British Legion branches are appropriate in this debate:

"When you go home, tell them of us and say
For your tomorrow we gave our to-day."

The present position is appalling. Those war widows deserve and must have a better deal now.

Mr. Hague: I begin by assuring the hon. Member for Southwark and Bermondsey (Mr. Hughes) that we on the Conservative Benches are as relaxed and enthusiastic as ever this evening, and in the spirit of agreement across the House that we had in dealing with new clause 21, which was proposed by my hon. Friend the Member for Dorset, West (Sir J. Spicer), I deal first with Government amendment No. 84, to which no one has yet referred in the debate, but which is grouped with the new clauses.

Government amendment No. 84 extends clause 165 to Northern Ireland. It deals with the effect of remarriage on war pensions for widows. As the armed forces of the Crown, including war pensions, are an accepted matter under the Northern Ireland Constitution Act 1973, it is appropriate for clause 165 to extend to Northern Ireland.

The background to the other new clauses is the substantial change in war widows' pensions that is already part of the Bill. The DSS war widow's pension is awarded to the widow of a man whose death is due to any service in the armed forces; to most that is worth about £143 a week, and is tax free. As a pension for the maintenance of the widow, it is withdrawn on remarriage and currently there is no provision for it to be restored later. As a result of debates here and in the other place, however, it became clear that the current position was unacceptable, and we therefore decided to restore the pension in certain circumstances.

That amendment is now part of the Bill. The Government amendment that I moved in Committee, which tidied up that provision, goes further than the Lords amendment: it includes, for instance, the widows of certain merchant seamen, civilians and Poles who served under British command during the last world war, and ensures that the war widow's pension is restored in the event of a second bereavement or failure of a second marriage—and, moreover, that it is restored in the event of any subsequent widowhood or divorce. That change is estimated to benefit about 16,500 former war widows at an estimated cost of some £45 million a year.

The hon. Member for Moray (Mrs. Ewing) gave certain figures, but according to the latest estimate, some 8,000 former war widows have now lodged claims, and the number is rising steadily week by week. The estimate of 16,500 still stands, so the estimate of £45 million of additional expenditure per year also still stands.

The new clauses seek further changes, not this time to the DSS war widow's pension but to the separate Ministry of Defence armed forces pension scheme—a public service pension scheme. They seek improved pensions or pension rights for the widows of ex-service men. We have serious problems with the new clauses on grounds of principle.

The introduction of half-rate widows' pensions was one of a number of major improvements made to public service pension schemes in the 1970s. Each of those improvements was introduced from a fixed and current date, and none could have been afforded if they had been extended retrospectively to recognise all previous service. New clause 11 seeks to make an exception for one group of public service pensioners—the widows of ex-service personnel—by backdating an improvement to the armed forces pension scheme that was made in 1973.

We should be clear that the majority of widows who would benefit under new clause 11 are not "war widows" in the sense used in our debate about the DSS war widows scheme, or in the sense covered by new clause 12. In over 80 per cent. of cases, widows receiving pensions from the armed forces occupational scheme will have been married to service men who have died after retirement from causes unrelated to service. Those who are war widows in the proper sense will be receiving a tax-free war widow's pension from the DSS in addition to their pension from the armed forces pension scheme.

We have estimated that there are some 53,000 pre-1973 service widows whose pensions would have to be reviewed if the new clause were implemented. It is not possible, in advance of the review, to arrive at a clear estimate of the cost of full retrospection, but it is estimated that the cost to the armed forces pension scheme would be some £27 million per year. The final cost would be substantially higher if the same principle were extended to other public service pension groups to which the same rules apply.

The widows of members of the forces who retired or died in service before 31 March 1973 and who are in receipt of an armed forces pension are therefore not a uniquely disadvantaged group. We recognise the debt that we owe to those who served their country in those difficult times, but we could never have afforded to introduce the improvements that we have made to public service schemes since then if we had extended them retrospectively to recognise all past service.

It is for that reason that we must maintain the principle that improvements in public service occupational pension schemes are made on the basis that they benefit only those giving service on or after the qualifying date. I say to my hon. Friends that, if we are remotely serious about controlling public expenditure in coming years, we cannot enter into the sort of open-ended commitment that we are asked to enter into with proposals such as new clause 11.

Mr. Simon Hughes: I want to pick up one point that reflects a point made by the hon. Member for Dorset, West (Sir J. Spicer). The group that the Minister described is not uniquely disadvantaged, but is a unique group for the reasons given: it is part of the family that gave military service to the country. Does the Minister accept that the issue should be considered, not on the basis that everyone who is in the same boat should have a change, but on the basis that that group should be considered on its own?

11 pm

Mr. Hague: The hon. Gentleman might find that a difficult argument to sustain with members of other public service occupational pension schemes. As I said, certain arguments have been advanced about war widows and attributable pensions. We are talking about a public service occupational pension scheme, the majority of the beneficiaries of which are not war widows in the sense that death was a result of service in the armed forces. Of course one can argue that military service is different from other things, but one can also argue that the fire service,

[Mr. Hague]

the police service and parts of the civil service are different from other things, so I am not sure that I can accept the hon. Gentleman's point.

Sir Jim Spicer: My hon. Friend has just made the point that one could argue that military service is different from other services such as the fire service. Does not that emphasise my point that the very least that one could do is to reconsider the amount that is paid in a gratuity when a debt occurs and to upgrade it substantially?

Mr. Hague: I shall come to my hon. Friend's point in due course. He raised it earlier and I shall of course refer to it in my remarks.

Mr. Alfred Morris: In the brief from which the Minister is reading, there is no mention at all of the point I made—that people who married after their service terminated had contributed year by year to an entitlement to widow's pension if they died and were survived by their wives. That is a very important point and supports the views of the Royal British Legion, the Officers Pensions Society and the War Widows Association in support of the amendment. In terms simply of equity, something that was paid for, in their view, ought to be delivered; but there is no mention of that in the reply that the Minister has been reading, which was prepared for him before the debate.

Mr. Hague: I am just coming to the right hon. Gentleman's new clause. New clause 14 seeks to make an exception for one group of public service pensioners, the widows of ex-service personnel, by backdating an improvement to the armed forces pension scheme that was introduced with effect from 6 April 1978. Pensions for the widows of those who married after their husbands had left the scheme occupation was one of a number of major improvements to public service pension schemes in the 1970s, but, again, each of those improvements was introduced from a fixed and current date. None of them would have been afforded if they had been extended, retrospectively, to recognise all previous service. They were not made retrospective in the 1970s by the Government of which the right hon. Gentleman was a member. That was an important factor for that Government then, and it is an important factor for this Government now and for all Governments in the future.

Before the Social Security Pensions Act 1975, it was a normal and well-established principle of occupational schemes, including those in the public service, that to qualify for a pension, the widow of a pensioner had to be married to him at the time when he was engaged in the occupation covered by the scheme. In that aspect of its provision, the armed forces pension scheme, a public service scheme, was similar to others—for example, the civil service, education, health, police, fire and local government schemes.

The new clause seeks to entitle any service widow of a post-retirement marriage to a widow's pension regardless of the introductory date applicable to other public service schemes. The Government of the day, when introducing that improvement, were well aware that, as usual, there would be people who fell just the wrong side of the implementation date and would therefore not benefit from it. The improvement was given a phased introduction in so far as only service in the relevant occupation from April 1978 could count.

We have no record of the number of post-retirement marriages contracted before 1978, so the full extent of the cost of giving full retrospective recognition to all past cases is difficult to determine, but we estimate that the total cost of the new clause might well be in the region of £60 million for the armed forces pension scheme. That figure would increase substantially if the same principle were extended to other public service pension groups to which the same rules apply.

Mr. Dewar: Purely for clarification, the Minister said in Committee, at column 594 on 13 June 1995, that that £60 million was an estimated cost for the Ministry of Defence alone and did not take in anything else. It has been suggested to me that that £60 million is a cumulative cost over a run of years, and I wish to establish whether that is so.

Mr. Hague: Yes; the hon. Gentleman is quite right. That is a total cost over the years of £60 million. The figure that I gave earlier for the previous new clause was a per year cost of £27 million, and the figure for the change in the DSS scheme is a per year cost of £45 million, but this one, as the hon. Gentleman rightly identifies, with his usual perspicacity, is a total cost.

It is a fundamental principle that improvements to occupational pension schemes can benefit only those serving on or after a qualifying date. The rules in force at the time when an employee leaves the scheme occupation determine pension entitlement. It would be impossible on cost grounds alone to introduce major improvements to occupational schemes without imposing a fixed and current date for the award of additional benefits. The knock-on effects for other public service pension schemes if an amendment were to be introduced would be substantial.

Mr. Simon Hughes: Will the Minister give way?

Mr. Hague: I shall give way once more to the hon. Gentleman before discussing the other new clause.

Mr. Hughes: First, it is important that we obtain the figures. Does the Minister have before him—and if not, will he undertake to give it on another early occasion—the cost if one were seeking to provide only for those who were at retirement pre-1978, not those who have reduced entitlement because they fall in after 1978?

Secondly, surely it would be possible, even if one did not backdate to 1978, to introduce the scheme from now, at considerably reduced cost.

Mr. Hague: I do not have the more detailed numbers and I am not sure that it is easily possible to calculate what the hon. Gentleman asked for, but I shall consider that and write to him with those details.

There may be alternative proposals that would cost differing amounts, but they are not the proposals that are before the House, and of course those that cost less would be of much less benefit to the people whom hon. Members have spoken about.

I shall now discuss new clause 12. The rule that a widow's pension ceases on remarriage is common to all public service occupational pension schemes. That is on the basis that widows' pensions are intended to give financial support for as long as the state of widowhood

continues. The effect of new clause 12 would be to apply different rules to a minority of service widows, and to apply a rule change retrospectively.

It is claimed that it would not cost very much to make an exception for that group. Although the cost to the armed forces scheme would be relatively small—although we believe that it would be a net cost of about £1 million per year—there are other groups to consider.

I am aware that provision of a widow's pension for life is a feature of most private sector schemes, but against that background it would be difficult to argue, if those new clauses were accepted, that other service widows and the widows of other public service scheme members should not also have the right to retain on remarriage the pension to which, they will claim, their husband contributed.

As in other public service occupational pension schemes—

Mrs. Ewing: How many are we talking about?

Mr. Hague: I wish to make another point before dealing with that.

The tragic circumstances of the Chinook accident last year, in which police officers and civil servants died alongside service personnel, show how difficult it would be in practice to make a clear-cut distinction between members of the armed forces and other public servants in this respect. As in other public service occupational pension schemes, a forces family pension or attributable forces family pension ceases on remarriage. There is, however, discretion—this relates to the point raised by my right hon. Friend the Member for Fareham (Sir P. Lloyd)—to restore the original pension on the subsequent marriage coming to an end. More than 80 per cent. of such applications are successful.

I am conscious, however, that the uncertainty as to the outcome of any restoration application, should the need arise, can be a source of great concern to a service widow contemplating remarriage. The current arrangements are discretionary, but the Government are prepared to undertake to make amendments to the rules of the armed forces scheme to provide for the automatic restoration of an attributable forces family pension, if the subsequent marriage should come to an end, on a similar basis to the arrangements now agreed for DSS war widows. Those amendments can be made without the need for primary legislation.

I can tell my hon. Friend the Member for Dorset, West that the Government will be considering the report of Sir Michael Bett's independent review of the armed forces manpower career and remuneration structures. The report has recommended that all service widows should retain their pension on remarriage. It has also made recommendations about lump sum benefits payable on death in service—the issue to which my hon. Friend referred—and the need for a study of the rules for assessing whether incapacity is attributable. The Government will be giving all those recommendations very careful consideration.

The principle of paying widows' pensions for life is an issue that affects all public service schemes.

Mr. Bayley *rose—*

Mr. Hague: We believe that it would be wrong to make changes to the rules at this time for one very small group in isolation. I therefore cannot recommend to the House that the new clauses be accepted.

Mr. Dewar: I shall be brief. This is clearly an extremely important and sensitive aspect of policy. The arguments have been expressed tonight with a great deal of feeling by many right hon. and hon. Members. My right hon. Friend the Member for Manchester, Wythenshawe (Mr. Morris), for example, has an especially long and distinguished record in this sphere. He is a persistent man, and I have no doubt that he will continue to be persistent and put his case forcibly to a Labour Government after the next election. *[Interruption.]* Many others—including the hon. Member for Dorset, West (Sir J. Spicer) who, with his "Ho, ho, ho", has just drawn attention to himself—have also presented strong arguments.

I must in all honesty make it clear that I shall not be supporting the new clauses, and I want to explain why. A number of important questions of principle arise, which we can and no doubt should discuss in the future. I understand the strength of feeling, but there are difficulties with, for example, the principle of a widow's pension being paid for life, irrespective of status.

Indeed, when that matter was debated in another place, my Front-Bench colleagues there did not support that particular amendment—

Mr. Simon Hughes: If they had, it would have got through.

Mr. Dewar: I am not hiding. Politics is not always about doing the popular thing; it is occasionally about considering the arguments and trying to do the right thing. That is a lesson that I accept.

I shall try to say this as calmly as I can. There are problems with the principle of having a pension for life, irrespective of status. It clearly has implications for other schemes and other parts of the public sector. It was on that basis that, in another place, we carefully backed the amendment that got through—it is worth recording that it did so against the Government's advice—which allowed the reinstatement of a pension for someone who had seen a second marriage end for some reason.

We have to be selective, although I understand the pressures. I understand that there are post-1973 widows who feel that the possible loss of a pension if they remarry is an inhibition and a barrier to marriage. I am not sure how strong that feeling is in all cases, but I recognise that it does exist. The principle has to be looked at rationally and sensibly in the wider context, and I am not satisfied that the Government or the House have done that so far.

Similarly with the argument of the hon. Member for Moray (Mrs. Ewing): I see that it is very attractive to say that there is a group of pre-1973 widows who did not buy in on a half-pay basis. That they did not and were not given an opportunity to do so, I accept. But there is the difficulty which should not be ducked. There were also people who served beyond 1973 who bought half-pay basis for their previous service. Frankly, we must consider the imposition and equity of that as well, because they have paid and obtained.

If we are to extend retrospectively without additional contribution—to raise from a third to a half—those people might well feel that they are due, for example, reimbursement. That is the kind of rather prosaic detail that we have to weigh in the balance before we go down that particular road.

[Mr. Dewar]

I also find—of course—new clause 14 attractive. We are not talking about war widows in an emotive sense, but about service pensions, which is an important distinction. The Minister might think that I asked rather an unhelpful question about the £60 million cost. My understanding is that it is—and he confirmed—cumulative to 2035. In a sense, that undermines the financial argument against agreeing to the new clause, although it does, of course, have to be weighed in the balance.

It is not right simply to dismiss totally the retrospective argument, or the fact that it is difficult to isolate and ring-fence service pensions as a general category in the way that has been suggested as against other public service pensions, often in areas of activity where there is danger and stress and where, too, there are casualties. One has to be a little careful about approaching the matter from a simple isolation argument, without considering it in a broader context.

11.15 pm

Mr. Simon Hughes: I hear the hon. Gentleman's argument, and I understand it, but I do not agree with it. Can he justify treating ourselves and our dependent successors differently and better than the people of whom he is talking?

Mr. Dewar: I can, although, again, it is not necessarily a popular argument. The parliamentary pension fund, which I think was introduced in 1965, is an occupational pension scheme giving rights ab initio. Therefore, the funding and the contributions were based on that principle. In other words, the fact that the pensions had to be paid was taken into the calculation, and the contribution was set on that basis. That is very different from changing the rules retrospectively when no accommodation has been made for such benefits. There is therefore a distinction to be made, although I understand why people throw that point at us, and why they feel so strongly about it.

Although I have taken a decision which I have not enjoyed because of my situation and that of my hon. Friends on the Front Bench, I recognise the temptation to say yes, I recognise the strength of feeling over the matter and I was glad to hear—one of the more significant comments made—the Minister refer to the Bett review and its recommendations. Those recommendations are on the table, and it would be of some consolation to the House and the hon. Member for Dorset, West, if it was a clear understanding that they would be under active consideration in the wider context about which I have been talking.

I do not think that we should proceed on a piecemeal basis, nibbling away, providing a little goodie here and a little goodie there, without putting them in some sort of rational context and ensuring that we have a defensible position against other claims which may be forthcoming and which we may want to distinguish or feel that we have to distinguish.

It is not—I am afraid—an easy decision, and I understand why many hon. Members will disagree, going into the Lobby. But after—genuinely—a good deal of agonising in the past day or two, my recommendation to my hon. Friends, on the Front Bench at least, is that we should not support the amendments.

Mr. Bayley: I am sorry that the Minister did not give way when he was announcing his intention to extend the service widow's pension concession by restoring a pension to those who remarry, lose their pension because they have done so and subsequently are widowed again, because he will recall that, in Committee, I pressed him about the Government's concession in relation to the Department of Social Security war widow's pension.

On behalf of some constituents who had raised the matter with me, I asked whether the Government would ensure that there was an automatic and simple procedure, with the minimum of difficulty, for those entitled to restart their war widows' pensions. I said that they should be able simply to notify the Department of Social Security and then have their pensions restarted.

Now that the Minister has made the welcome concession that the same principle of restarting the widow's pension will apply not only to the social security war widow's pension but to the service widow's pension, will he consider having a single application process, so that a service widow who received both a service widow's pension and a war widow's pension, subsequently remarried and lost her right to both those pensions, and then was widowed again, could make one simple application and automatically have both pensions restarted?

People in that position have told me of their concern that it could be a complicated process unless the Government take steps to make it as simple as possible. I hope that the Minister will respond briefly to that point.

Mrs. Ewing: Like other hon. Members, I have listened carefully to the arguments propounded from both sides of the House. I am sure that everyone will agree that members of all the political parties showed a great deal of feeling and passion.

I was interested to note that the Minister called in his defence the fact that Government amendment No. 84 met some of the arguments. It is worth reminding the House that the Government fought that amendment tooth and nail in another place. They have granted only a very grudging concession, but it is of great credit to those who worked so hard in the other place that we have even reached this stage.

I had hoped that, having given that grudging concession, the Government would take a more realistic approach to some of the points made in the debate. The Minister seemed to have great difficulty in defining a war widow. I am sure that everyone would agree that a war widow is a war widow is a war widow. It is a simple definition.

I referred earlier to the case of Mrs. Margaret Wormack. For the sake of those who have not received briefings or who follow our debates through the media, I shall read into the record exactly the sort of case that we believe merits a very small concession for a very small number of people.

Private Wormack joined the Army in 1933. He served in the infantry in Burma throughout the war, and at one stage he was captured by the Japanese. While escaping, he received severe bayonet wounds to the face, stomach

and legs, and was left for dead. He and two companions struggled into the jungle, where they managed to stay together until one committed suicide.

When they were eventually picked up by a British patrol, Sergeant Wormack, as he had become, weighed six stone. He was temporarily blind and his face had been disfigured by maggots feeding on his bayonet wounds. He seldom spoke of the war. Mrs. Wormack learned about his experiences only from having to listen to his repeated nightmares. He was commissioned in 1944, and, although still suffering from recurring malaria, dysentery, a perforated stomach and facial wounds necessitating extensive skin grafts, he served until 1956, retiring as a captain.

Mr. and Mrs. Wormack were married for 49 years. Despite her husband's peerless service, Mrs. Wormack receives a one-third rate widow's pension, of just £140 a month after tax, or £1,860 a year. Any of us who know of people in our families or, through our associates, of people who went through the horrors of what happened in Japanese prisoner-of-war camps, will know exactly how difficult it has been for them to express their feelings, because they do not want to horrify members of their families with the reality of their stories. Yet this woman, who had to cope with a husband who had suffered that indignity during the war, is given £140 a month by the state.

We are asking for help for a small number of people. The Minister said that the figures have gone up from 6,500 to 8,000, but that is still less than 50 per cent. of those who are entitled to receive a half-rate pension, rather than the third-rate pension they receive at present.

I have said that these people are dying at a rate of 1,300 per annum, so it is hardly a substantial sum that is being asked for from the Treasury to support these people, who certainly deserve our support tonight. It is all very well to talk about the technicalities of a 1965 pension fund for Members of Parliament. Is it because we did not have such technicalities drawn up in 1939 that our war widows and our victory widows are now to be denied their basic fundamental rights? It seems that we are rejecting compassion and social justice in favour of technicalities, and, in the circumstances, I have no alternative but to press the matter to a vote.

Dr. Marek: I am sorry to intervene, but my hon. Friend the Member for York (Mr. Bayley) made a useful suggestion, and it would be nice if the Minister were to reply. The Minister, who is an honourable man, has a duty to reply, and I hope that he will be able to accept my hon. Friend's suggestion. I support the hon. Member for Moray (Mrs. Ewing), and I shall be joining her in the Lobby if the matter is pressed to a vote.

Mr. Hague: The hon. Member for Wrexham (Dr. Marek) may not have been able to see my sign of communication with the hon. Member for York, in which I indicated—I think to the hon. Gentleman's satisfaction—that I would write to him about the specific matter he raised after my main response to the debate. It is a difficult matter, because the hon. Gentleman was talking about both the DSS scheme and the Ministry of Defence scheme. I shall look at the points raised and will write to the hon. Member for York. I hope that that makes the hon. Member for Wrexham very happy.

Question put, That the clause be read a Second time:—

The House divided: Ayes 41, Noes 199.

Division No. 195] **[11.26 pm**

AYES

Ashdown, Rt Hon Paddy
Barnes, Harry
Bayley, Hugh
Beggs, Roy
Bowden, Sir Andrew
Bruce, Malcolm *(Gordon)*
Carlile, Alexander *(Montgomery)*
Chidgey, David
Cohen, Harry
Corbyn, Jeremy
Cunningham, Roseanna
Davis, Terry *(B'ham, H'dge H'l)*
Ewing, Mrs Margaret
Forsythe, Clifford *(S Antrim)*
Foster, Don *(Bath)*
Harvey, Nick
Hughes, Simon *(Southwark)*
Johnston, Sir Russell
Jones, Nigel *(Cheltenham)*
Kirkwood, Archy
Llwyd, Elfyn
Lynne, Ms Liz
McAvoy, Thomas
Mackinlay, Andrew
Marek, Dr John
Marshall, Jim *(Leicester, S)*
Michie, Mrs Ray *(Argyll & Bute)*
Morris, Rt Hon Alfred *(Wy'nshawe)*
O'Brien, Mike *(N W'kshire)*
Rendel, David
Ross, William *(E Londonderry)*
Salmond, Alex
Simpson, Alan
Skinner, Dennis
Smyth, The Reverend Martin
Steel, Rt Hon Sir David
Taylor, Matthew *(Truro)*
Tipping, Paddy
Tyler, Paul
Wallace, James
Winnick, David

Tellers for the Ayes:
Mr. Andrew Welsh and
Mr. Ieuan Wyn Jones.

NOES

Ainsworth, Peter *(East Surrey)*
Aitken, Rt Hon Jonathan
Alexander, Richard
Alison, Rt Hon Michael *(Selby)*
Amess, David
Ancram, Michael
Arbuthnot, James
Arnold, Jacques *(Gravesham)*
Arnold, Sir Thomas *(Hazel Grv)*
Atkins, Rt Hon Robert
Atkinson, Peter *(Hexham)*
Baker, Nicholas *(North Dorset)*
Bates, Michael
Batiste, Spencer
Bellingham, Henry
Bendall, Vivian
Beresford, Sir Paul
Biffen, Rt Hon John
Bonsor, Sir Nicholas
Booth, Hartley
Boswell, Tim
Bottomley, Peter *(Eltham)*
Bowis, John
Brandreth, Gyles
Brazier, Julian
Bright, Sir Graham
Browning, Mrs Angela
Bruce, Ian *(Dorset)*
Burns, Simon
Burt, Alistair
Butler, Peter
Carrington, Matthew
Cash, William
Channon, Rt Hon Paul
Clappison, James
Clarke, Rt Hon Kenneth *(Ru'cliff)*
Clifton-Brown, Geoffrey
Colvin, Michael
Conway, Derek
Coombs, Anthony *(Wyre For'st)*
Cope, Rt Hon Sir John
Couchman, James
Currie, Mrs Edwina *(S D'by'shire)*
Davies, Quentin *(Stamford)*
Davis, David *(Boothferry)*
Day, Stephen
Deva, Nirj Joseph
Devlin, Tim
Dorrell, Rt Hon Stephen
Douglas-Hamilton, Lord James
Dover, Den
Duncan, Alan
Duncan-Smith, Iain
Dunn, Bob
Durant, Sir Anthony
Eggar, Rt Hon Tim
Elletson, Harold
Evans, Jonathan *(Brecon)*
Evans, Nigel *(Ribble Valley)*
Evans, Roger *(Monmouth)*
Faber, David
Fabricant, Michael
Field, Barry *(Isle of Wight)*
Fishburn, Dudley
Forman, Nigel
Forsyth, Rt Hon Michael *(Stirling)*
Fowler, Rt Hon Sir Norman
Fox, Dr Liam *(Woodspring)*
Freeman, Rt Hon Roger
French, Douglas
Gale, Roger
Gallie, Phil
Garnier, Edward
Gillan, Cheryl
Goodson-Wickes, Dr Charles
Gorst, Sir John
Greenway, Harry *(Ealing N)*
Greenway, John *(Ryedale)*
Griffiths, Peter *(Portsmouth, N)*
Gummer, Rt Hon John Selwyn
Hague, William
Hamilton, Rt Hon Sir Archibald
Hamilton, Neil *(Tatton)*
Hampson, Dr Keith
Hanley, Rt Hon Jeremy
Hawkins, Nick
Hawksley, Warren
Heald, Oliver
Hendry, Charles
Hicks, Robert
Higgins, Rt Hon Sir Terence
Hogg, Rt Hon Douglas *(G'tham)*
Horam, John
Howarth, Alan *(Strat'rd-on-A)*
Hughes, Robert G *(Harrow W)*
Hurd, Rt Hon Douglas

Jack, Michael
Jackson, Robert *(Wantage)*
Jenkin, Bernard
Jessel, Toby
Johnson Smith, Sir Geoffrey
Jones, Gwilym *(Cardiff N)*
Jones, Robert B *(W Hertfdshr)*
King, Rt Hon Tom
Kirkhope, Timothy
Knapman, Roger
Knight, Mrs Angela *(Erewash)*
Knight, Greg *(Derby N)*
Knight, Dame Jill *(Bir'm E'st'n)*
Knox, Sir David
Kynoch, George *(Kincardine)*
Lait, Mrs Jacqui
Lamont, Rt Hon Norman
Lang, Rt Hon Ian
Legg, Barry
Lennox-Boyd, Sir Mark
Lidington, David
Lightbown, David
Lilley, Rt Hon Peter
Lloyd, Rt Hon Sir Peter *(Fareham)*
Lord, Michael
Luff, Peter
Lyell, Rt Hon Sir Nicholas
MacGregor, Rt Hon John
MacKay, Andrew
Maclean, Rt Hon David
Maitland, Lady Olga
Mans, Keith
Martin, David *(Portsmouth S)*
Mates, Michael
Mayhew, Rt Hon Sir Patrick
Merchant, Piers
Mills, Iain
Mitchell, Andrew *(Gedling)*
Moate, Sir Roger
Montgomery, Sir Fergus
Moss, Malcolm
Nelson, Anthony
Neubert, Sir Michael
Newton, Rt Hon Tony
Nicholls, Patrick
Nicholson, David *(Taunton)*
Norris, Steve
Onslow, Rt Hon Sir Cranley
Oppenheim, Phillip
Page, Richard
Paice, James
Patnick, Sir Irvine
Pattie, Rt Hon Sir Geoffrey
Porter, David *(Waveney)*
Portillo, Rt Hon Michael
Powell, William *(Corby)*
Rathbone, Tim
Redwood, Rt Hon John
Renton, Rt Hon Tim
Richards, Rod
Rifkind, Rt Hon Malcolm
Robathan, Andrew
Roberts, Rt Hon Sir Wyn
Robertson, Raymond *(Ab'd'n S)*
Robinson, Mark *(Somerton)*
Rowe, Andrew *(Mid Kent)*
Ryder, Rt Hon Richard
Sackville, Tom
Shaw, Sir Giles *(Pudsey)*
Shepherd, Colin *(Hereford)*
Spencer, Sir Derek
Spicer, Michael *(S Worcs)*
Spink, Dr Robert
Spring, Richard
Sproat, Iain
Squire, Robin *(Hornchurch)*
Stephen, Michael
Streeter, Gary
Sumberg, David
Sweeney, Walter
Sykes, John
Taylor, Ian *(Esher)*
Taylor, Sir Teddy *(Southend, E)*
Thomason, Roy
Thompson, Patrick *(Norwich N)*
Thurnham, Peter
Townsend, Cyril D *(Bexl'yh'th)*
Trend, Michael
Twinn, Dr Ian
Viggers, Peter
Waller, Gary
Wardle, Charles *(Bexhill)*
Waterson, Nigel
Watts, John
Wells, Bowen
Wheeler, Rt Hon Sir John
Whittingdale, John
Widdecombe, Ann
Wilkinson, John
Willetts, David
Wilshire, David
Winterton, Nicholas *(Macc'fld)*
Wolfson, Mark

Tellers for the Noes:
Mr. Sydney Chapman and
Mr. Timothy Wood.

Question accordingly negatived.

New clause 7

CONSULTATION ON PENSIONS UPRATING (RESIDENCE OUTSIDE GREAT BRITAIN)

'(1) The Secretary of State shall consult with representatives of other countries where persons are resident who are entitled to retirement pensions under Part II or Part III of the Social Security Contributions and Benefits Act 1992 but whose pensions have not been uprated as they would have been had they been resident in Great Britain ("affected pensioners").

(2) Consultation under subsection (1) shall be for the purpose of ascertaining what problems are encountered by affected pensioners, and by what means such problems may be ameliorated.

(3) The Secretary of State shall lay before both Houses of Parliament a report on the outcome of his consultations within one year of the passing of this Act.'.—*[Mr. Alfred Morris.]*

Brought up, and read the First time.

Mr. Alfred Morris: I beg to move, That the clause be read a Second time.

Mr. Deputy Speaker (Mr. Michael Morris): With this, it will be convenient to discuss the following: New clause 9—*Entitlement to pension uprating (residence outside Great Britain)*—

'—(1) The Social Security Contributions and Benefits Act 1992 shall be amended as follows.

(2) In section 119 (Persons outside Great Britain), at the beginning there shall be inserted "Subject to section 119A".

(3) After section 119, there shall be inserted—

"Entitlement to pension uprating (residence outside Great Britain)

119A. Notwithstanding the provisions of any other enactment, no person who is entitled to a retirement pension under Part II or III of this Act shall be disqualified by reason of residence outside Great Britain from any benefit under this Act, or any uprating of any such benefit, if he would have been entitled to such benefit or such uprating if he had instead been resident in Great Britain.".'.

New clause 10—*Entitlement to pension uprating (residence outside Great Britain) (phased introduction) (No. 2)*—

'.—(1) The Social Security Contributions and Benefits Act 1992 shall be amended as follows.

(2) In section 119 (Persons outside Great Britain), at the beginning there shall be inserted "Subject to section 119A".

(3) After section 119, there shall be inserted—

"Entitlement to pension uprating (residence outside Great Britain) (phased introduction)

119A—(1) This section applies to any person who is entitled to a retirement pension under Part II or III of this Act and who is disqualified by reason of residence outside Great Britain from a retirement pension under this Act, or any uprating of any such pension (an 'affected pensioner').

(2) There shall be paid to any affected pensioner any uprating of a retirement pension which is payable to any other pensioner under this Act at any date after the passing of the Pensions Act 1995.

(3) The Secretary of State shall by regulations made by statutory instrument make provision for a scheme which shall ensure that, within the period of five years after the passing of the Pensions Act 1995, no affected pensioner shall receive a retirement pension of any lesser amount than he would have received if he had been resident in Great Britain throughout the period from which he first became eligible for a retirement pension.

(4) So far as practicable, a scheme under subsection (3) above shall ensure that an affected pensioner's retirement pension is increased by an equal amount in each year of the five year period referred to in that subsection.".'.

New clause 17—*Pension uprating (Australia and Canada)*—

'—(1) So far as it applies to retirement pensions, Regulation 5 of the Social Security Benefits (Persons Abroad) Regulations 1975 (or any regulation replacing that regulation) shall cease to apply to persons resident in Canada or Australia.

(2) This section shall come into force two years after the passing of this Act.'.

Mr. Morris: Whatever differences of view there may be about this group of new clauses, we must surely all agree that it does nothing for the reputation of this country that state pensions paid to our compatriots who today live in Australia, Canada and other Commonwealth countries are so low that they put those who receive them below the poverty line in the countries where they have gone to live.

The problem of frozen British pensions is a long-standing issue that ought now urgently to be settled and it is in the interests of all the countries involved—including the United Kingdom—to reach a solution very soon.

The preferred solution of those of us who have taken part in drafting and proposing the amendments to the Bill—not least the hon. Member for Davyhulme (Mr. Churchill)—is for the UK to bring all pensions that it currently pays up to the level that would have been reached if those pensions had been indexed year on year, in line with past annual increases granted to British pensioners in the UK. That solution—sometimes referred to as full unfreezing, and which certainly has my support—would be the most equitable possible. It would ensure that British pensioners in Australia, Canada and elsewhere receive the level of benefits to which they or their spouses contributed during their working years in the United Kingdom. What could be fairer?

I realise that the cost of full unfreezing, estimated at £168 million in the first year for British pensioners in Australia and Canada alone, would be substantial. However, the Australian and Canadian Governments are wholly prepared to consider other options, the costs of which to the UK would be significantly less. With good will and co-operation, an option can be found that is acceptable to pensioners living abroad and patently affordable by the UK.

One such option receiving serious consideration by the Australian and Canadian Governments is to forgo any cost of living increases granted prior to the entry into force of any unfreezing arrangement, but to pay all increases granted after such an arrangement comes into force. That approach, sometimes referred to as partial unfreezing, was the basis for the UK's unfreezing arrangement with the United States of America and other countries. Its first-year cost would be £26 million for British pensioners in Australia and Canada.

There may be other options. The identification and analysis of viable options for unfreezing are complex tasks that will require co-operation between UK social security officials and their counterparts in the other Commonwealth countries. They could be sought within the framework of bilateral social security arrangements already in place.

The core of what the Australian and Canadian Governments are proposing to end the current impasse is that the UK should agree to hold meaningful bilateral talks, at the official level, with each of the countries in which frozen pensions are paid to identify and analyse options for unfreezing, with the overall goal of finding an option that is acceptable to all the countries concerned. I believe there should be an agreed time frame for these talks, long enough to allow officials to do the work required of them and to seek guidance from Ministers, but not so long as to delay a reasonably early conclusion.

I repeat, and with emphasis, that the preferred solution is full unfreezing, or one as near as possible to that aim. At the very least, we should agree in this debate to what new clause 7 proposes. That would demonstrate a commitment by the British Government, equal to that of other Governments, to finding a solution to the unfreezing problem. It would position any possible solution within the framework of the existing bilateral social security arrangements between the UK and other countries. It would provide an opportunity for Australian Ministers to show the British Government that, among other wrong assumptions, indexation would not be

"swallowed up by the Treasuries"

because 92 per cent. of pensioners from Britain have been in Australia for over 10 years and deduction of UK pension from the rate of Australian pension ceases after 10 years. The new clause would also avert a total breakdown in intergovernmental talks while there is still time to find a mutually acceptable solution to a problem that stains this country's reputation and that will not go away if we fail to reach agreement tonight. Time is short if we are to resolve an issue that in the view of many of us is one that involves principle and honour. I implore the Minister not to miss the opportunity that the new clauses present to reach a just settlement.

11.45 pm

Mr. Winston Churchill (Davyhulme): The hour is late and I shall be brief.

As we stand between the 50th anniversaries of VE and VJ days, the nation's thoughts are inevitably with the heroic generation who saved the world from Hitler. There would be no more fitting moment to rectify a clear injustice that affects 375,000 British expatriate pensioners who, unlike those who retired to an EU country or the United States, find that they receive no uprating to the pension to which they have contributed. These frozen pensioners live overwhelmingly in the old dominions of Canada, Australia, South Africa and New Zealand. Many are facing severe hardship, especially those in South Africa where there is no social security net.

Time permits me to cite but one example of a wartime Royal Navy commander, who two years ago wrote to me from Nordhoek in South Africa. I shall quote only a paragraph of his letter. It reads:

"My wife and I have lived here since 1951. I am now 85 and she is 77. We receive £6.75 for self and £4.15 per week, frozen. In 1951, having received Admiralty permission to emigrate, I wrote to ask if I would get the pension. You will see the reply."

The reply from the Ministry of Pensions and National Insurance dated 12 July 1963 I quote in part:

"The Class Three contributions which you are paying maintain the title to retirement pension, death grant, widow's benefit and maternity benefit, all of which are payable abroad subject to territorial currency restrictions."

Those were the only restrictions suggested.

That gallant gentleman has indisputably been misled by a Government Department. In consequence, he finds himself deprived of more than £50 a week of the pension to which he contributed throughout his working life. The Government have never sought to dispute the injustice that is caused to expatriate British pensioners, but plead that the cost of £235 million cannot be afforded.

We are talking of pensioners who contributed throughout their working lives to their national insurance pension. They find it hard to understand how a Government who have found it possible to increase social security expenditure in real terms since 1979 by a staggering £39,800 million, providing billions of pounds of benefit to unmarried teenage mothers and others who have never contributed a penny to the national insurance scheme, cannot afford £235 million, barely one quarter of 1 per cent. of the social security budget, to rectify a fundamental injustice.

[Mr. Winston Churchill]

Both new clauses 9 and 10 would end the discrimination that I have outlined and remove any geographical limitation on the payment of the annual uprating to state retirement pensioners. New clause 9 would do so outright; new clause 10 would phase in the uprating over five years. I intend to press new clause 10, bearing in mind that it would reduce the first-year cost to £62 million. It would not increase the cost to the full £235 million until the next millennium.

I am most grateful to my 250 colleagues from all parties who have signed my early-day motion 279 in support of the campaign. I look forward to them registering their support in the Lobby. I hope that my right hon. and hon. Friends will signify their acceptance of a reasonable proposal.

Mr. Kirkwood: I concur entirely with the sentiments expressed by hon. Members on this group of new clauses and I shall refrain from rehearsing the long-established arguments about the social justice and equity of the case. I want to put a proposition to the Government that is drawn from the speech of the right hon. Member for Manchester, Wythenshawe (Mr. Morris).

In recent conversations with representatives of the Canadian and Australian Governments, I was struck by the extent to which they are exasperated by the Government's refusal even to discuss the issues surrounding the problem. They believe that if officials were given a bona fide mandate to get round the table and discuss the principles involved, ways could be found, in the best diplomatic fashion, to accommodate the differences.

As the right hon. Member for Wythenshawe rightly said, those representatives are looking for a full unfreezing, but they are prepared to settle for less and to try to establish a bona fide compromise, which they believe is achievable. It is causing great concern to them and to me. It should also concern the House because those two countries are faithful allies and stout friends of the United Kingdom in all other international forums and discussions and if they perceive the issue as an outstanding irritant, we should give it careful attention.

If the Minister is looking for evidence, I am advised that, when the Canadian Prime Minister was in London to participate in the recent victory celebrations, he took the opportunity, in a short interview with the Prime Minister, to raise the issue. If the Prime Minister of Canada considers it important and if it is the only outstanding matter between Britain and Canada, the House of Commons is bound to pay attention to that fact alone, leaving aside the merits of the case.

I have put my name to a new clause on the amendment paper this evening. If the Minister is prepared to tell the House in good faith that discussions will be entered into and that officials will be instructed to talk through this subject with the Australian and Canadian Governments to deal with the principle, I will accept that. However, it will not be enough for the Government to produce the same old tired and inadequate justifications about money.

Full unfreezing would cost a significant amount. I am not arguing for that, but if the Government stick to the brief that we have heard on previous occasions and in previous debates, I fear that there will be a mood to divide the House and put the question to hon. Members in the Division Lobby. This evening, the Minister need say only that talks will commence. That is all that would be necessary to satisfy me that some progress had been made on a very important issue.

Dr. Marek: I rise briefly to support the hon. Member for Roxburgh and Berwickshire (Mr. Kirkwood) and my right hon. Friend the Member for Manchester, Wythenshawe (Mr. Morris), who moved new clause 7.

New clause 7 does not involve the expenditure of any money whatsoever; it simply asks that the Government undertake investigations to identify the problems and find out whether anything can be done.

My name also appears on new clauses 9 and 10, and I too believe that something should be done. I realise that the Government do not want to spend any money because they want to cut taxes in the Chancellor's November Budget. But even if they do not want to spend money on frozen pensions at this stage, I hope that, as all hon. Members who have spoken have urged, we can at least persuade them to investigate the problems and then to lay a report before Parliament.

I do not want to rehearse all the well-known arguments, but I must emphasise the fact that pensioners have contributed to their pensions. They may have contributed not for 40 years of their working life but for only 20 years, but that would still mean that they had contributed enough for half the pension. It will be robbery by the Government and theft by Parliament if pensions continue to be frozen, because they lose their value with inflation.

I know that the Minister is an honest person with integrity, and I appeal to him to read new clause 7. It does not commit the Government to spending a single penny, but simply tells them to investigate, to find out whether there is a problem and to come back with some answers, because the economy may be better in a year's time. I also hope that the official Opposition will support the new clause, because it does not entail the use of a single penny, and I look forward to receiving a bit of support from my hon. Friend the Member for Glasgow, Garscadden (Mr. Dewar).

Mr. Dewar: I hear that invitation, Mr. Deputy Speaker.

I recognise that there are strong feelings concerning this group of amendments, and widespread concern extending to hon. Members in all parties. I do not under-estimate that for a moment, although I sometimes think that signatures can be appended to early-day motions somewhat carelessly, so the level of commitment may not be as great as the hon. Member for Davyhulme (Mr. Churchill) would like it to be. But there we are; we live in a real world, and we shall see.

The facts have been set out, and I congratulate the Select Committee on Social Security, whose Chairman, my hon. Friend the Member for Birkenhead (Mr. Field), is here, on the useful memorandum that it produced. It came to no conclusions, but set out extremely usefully all the facts and figures, and the history of this long-standing affair.

Mr. Jeremy Corbyn (Islington, North): I too am a member of the Select Committee. We have come to no conclusions because we have not yet discussed the matter. We wanted to publish the memorandum so that the whole House, and everybody else, could understand the basis on which the curious calculation, whereby some pensioners get an uprating and many do not, is made. It seems grossly

unfair, and I hope that, when the Select Committee considers the matter, we shall recommend universal uprating of all the pensions, wherever the people happen to live, in line with the amendments tabled.

Mr. Dewar: I would expect nothing else of my hon. Friend. There was no hint of criticism in what I said—indeed, there was the opposite. However, I did not realise that the Select Committee's work was the preliminary to a full investigation; I thought that it was an attempt to inform debate. That is not an ignoble objective of Select Committees—

Mr. Corbyn: We do it all the time.

Mr. Dewar: As a former Select Committee member, I am a great defender of the system. Among other things, Select Committees provide information that is not otherwise easily available to Members of Parliament, and certainly not to the public. A current Select Committee investigation is one of the most useful quarries for arguments and information, and I would never under-estimate or undervalue that aspect of their role.

Like many other hon. Members, I have been lobbied with great courtesy by letter from almost every country that I can think of, including several that I had not thought of before. Like the hon. Member for Roxburgh and Berwickshire (Mr. Kirkwood), I have seen the high commissioners for Australia and Canada, who, good diplomats that they are, put their case with great skill.

I have some sympathy with the point that was made by my right hon. Friend the Member for Manchester, Wythenshawe (Mr. Morris). I can see that there is something to be said for talking to friends, even if it is not, in the view of the Minister, likely to be productive in the short term. Who knows, the Minister might get a surprise. It could reduce some of the irritation that might be building up, although I have to record that the high commissioners were far too diplomatic to indicate any irritation to me, although Liberal antennae may have discovered it.

Mr. Kirkwood: There is nothing wrong with my political antennae.

Mr. Dewar: That should not necessarily be taken as any sort of comment on the insect-like propensities of the Liberal party.

There is a case for talking—this is where I come to the point made by my hon. Friend the Member for Wrexham (Dr. Marek), and his request—but it would be rather odd to put it in the form of a new clause in the Bill. I do not think that future generations reading the Bill would find it a likely interpolation into statute, but it would be useful to try to get a positive response from Ministers on the need to talk.

12 midnight

Mr. David Nicholson (Taunton): Does the hon. Gentleman agree—I am one who declined to sign the early-day motion last year because I appreciated the public expenditure consequences—that there is an anomaly here? I understand from written questions that my hon. Friend the Minister has answered that the previous Labour Government made agreements with Spain and Portugal, countries with which this country does not have any particular historic tradition, to uprate pensions, whereas pensioners in the old Commonwealth countries—the British countries, as my hon. Friend the Member for Davyhulme (Mr. Churchill) puts it—do not have that benefit. Is there not an anomaly between what happens in foreign countries, where British pensioners have the uprating, and in British countries—Commonwealth countries—where they do not?

Mr. Dewar: Spain is now in the European Union and so operates in a rather different context, and different considerations apply.

There is a case for looking sympathetically at the uprating problem in the best of all possible worlds. The problem—I have explained it as honestly as I can in probably hundreds of letters—is that it is a matter of competing claims and priorities. The Government have to take decisions on that. Another Government would have to take those decisions when the time came. I have had to say to people, who have written to me with great courtesy, that I cannot give an undertaking that the matter would be a top priority when, as would happen with every other Government, there would almost certainly be only limited room for manoeuvre.

People would have to compete for the £235 million, which is, I understand, full uprating but no payment of arrears. They would have to compete against pensioners who live in this country and their special needs, poor pensioners, pensioners with special difficulties, carers and the disabled—a range of others.

The Labour party—and, no doubt, other parties—keeps its priorities under review and does not regard them as set in stone. I have not been able to promise that uprating would be a top priority for a Labour Government in an initial period in power. Given that inhibition, it would be inconsistent of me to vote for it on this occasion. I do not say that to belittle in any way the genuineness of feeling or the fact that there is a case to answer, but I am afraid that I have had to take a prudent line—the hon. Member for Taunton (Mr. Nicholson) has virtually accepted that it is a prudent line—and it must be followed through consistently on this occasion. I intend to do that tonight.

Mr. Arbuthnot: I acknowledge that many overseas pensioners feel a sense of injustice that their United Kingdom pensions have not been uprated, but I do not accept that, in the present circumstances, the Government are under an obligation to respond in the ways that have been suggested tonight. Our argument, which is well known, is that the full cost of unfreezing the pensions would be £235 million a year. There are options that cost less to start with but which nevertheless build up to that figure, or to lesser but still substantial sums. The right hon. Member for Manchester, Wythenshawe (Mr. Morris) mentioned one such option.

The point for the House to decide is simply this. If we could find nearly a quarter of a billion pounds extra for social security, is this what the House would want to spend it on? We are talking about people who have left this country knowing that their pensions would not be uprated. The policy is not new; it has been in place since 1955.

Mr. Churchill: My hon. Friend cannot have been listening when I mentioned the case of the Royal Navy commander in South Africa. He was advised by the Ministry of Pensions and National Insurance that his pension rights would be unaffected—and that is by no

[Mr. Churchill]

means the only such instance that I have encountered. Many other people have been given the same advice, and they were clearly lied to.

Mr. Arbuthnot: I have read the advice that was given. If I remember correctly—I think that I read it some six months ago—the advice was given in an entirely different context from that which is suggested.

Mr. Corbyn: The Minister's argument is unsustainable. As the hon. Member for Davyhulme (Mr. Churchill) said, advice has been given to a number of people who believed that their pensions would be uprated wherever they happened to live. The Minister also seems to be skating over the fact that the state pension is a contributory pension. Surely it is just for it to be paid regardless of where the recipient happens to live, irrespective of any other factor.

Mr. Arbuthnot: The United Kingdom national insurance scheme is financed on a pay-as-you-go basis. Pensions that are being paid today are financed by national insurance contributions today. It should be remembered that paying contributions gives no automatic entitlement to any particular benefits. The agreement between an individual and the state is that payment of contributions will give entitlement to benefits under certain conditions: for example, pensions are payable, but only when the recipient reaches the age of 65, in the case of men, or 60, in the case of women. Moreover, pensions are not generally uprated outside the United Kingdom. Although I understand the hon. Gentleman's point, the conditions that apply to the benefits do not give rise to the rights that he suggests.

Rev. Martin Smyth: Will the Minister give way?

Mr. Arbuthnot: I will, but I had better get on with my speech after that.

Rev. Martin Smyth: We are all aware that we shall not receive pensions until we are 65—or 60, in the case of women. As far as I know, however, no one has ever been told that they will not receive a pension if they leave the country. Earlier, in answer to some of our questions, the Government blamed the Canadians for not moving forward, but at the time they were discussing relations with the various provinces of Canada. I have raised the issue before, but I have a personal interest now: my sister migrated, and was not aware of the rule until she reached Australia.

Mr. Arbuthnot: I am a little surprised that the hon. Gentleman's sister was not aware of it. Advice is available from my Department, and has been given since 1955. A clear warning is given in a leaflet called "NI 38: Social Security Abroad". If there are individual cases in which the wrong advice has been given, I shall of course look into them.

Mr. Churchill: I mentioned one.

Mr. Arbuthnot: My hon. Friend suggests that he is acquainted with one such case, and I should like to look into it, although I may have done so already.

At home, we are having to take steps to contain the cost of social security expenditure, as with all public expenditure. There is no extra, or spare, £250 million to meet the bill, so we would have to find the money from within the existing social security budget. Hon. Members who suggest that it would be easy to find it should suggest where we should cut at home to pay extra money to people abroad.

New clause 7 requires the Secretary of State to consult representatives of countries where United Kingdom pensioners who do not receive annual upratings live to find out what their problems are and how they might be ameliorated. It also requires him to report to Parliament within no more than a year. More than 400,000 pensioners do not receive pension increases. They live in 150 countries worldwide. No doubt their problems are many and diverse, and amelioration of those problems would lie in many different directions outside the power of any Government.

The circumstances of pensioners who do not receive upratings are extremely varied. They may have occupational pensions or other income. Many receive pensions from their country of residence, and not all would be better off if their UK pensions were uprated, because an increase in the UK pension could simply reduce their pension entitlement from the country in which they live.

We have no reason to think that representatives of other countries would wish to enter consultations with the Secretary of State on the basis that the new clause envisages. I believe that the Australian Government have been canvassing an approach similar to that in the new clause, but it is not clear that the other 149 Governments involved would take the same view. After all, they may not know what problems, financial or otherwise, are experienced by the pensioners concerned, and they would need to carry out detailed personal inquiries.

Mr. Frank Field: Will not the Minister tell the House that, in fact, most of these pensioners live in only a few countries? I am puzzled. Do the Government not want to undertake the inquiry because they think that they will learn nothing, or because they are fearful of what they might learn?

Mr. Arbuthnot: Neither. The point about undertaking talks is that there would be a commonality of objective and there is no such commonality of objective between the countries in which pensions are not uprated and the objectives of the British Government that relate particularly to the restraint of our social security expenditure.

New clause 9 takes a different approach to the same issue. Its intention, which must be gleaned from it, is to require the Government to pay retirement pension increases that arise after the Bill comes into force. It does not seek to restore the effects of upratings that have already been forgone, but it could have a far wider effect. It requires that no person entitled to a retirement pension should be disqualified by reason of residence outside Great Britain from any benefit under the Social Security Contributions and Benefits Act 1992. It would overturn the law that prevents payment of benefits such as income support and attendance allowance outside Great Britain. It could therefore make available to UK pensioners anywhere in the world any benefit that they could receive if they were living in Great Britain. That would entail vast cost.

Mr. Churchill: New clause 9 clearly refers specifically to retirement pensions. It refers to anyone

"entitled to a retirement pension under part II or III of the Act".

Mr. Arbuthnot: That is right, but retirement pensioners would then be entitled to attendance allowance and to income support wherever they lived in the world, and that could entail vast cost. Let us assume, however, that the effect of the new clause were to require the payment only of retirement pension, as my hon. Friend suggests. The cost would still be great. It would be about £16 million in the first year, but that would increase steadily as people who retired or went to live outside Britain had their pensions fully uprated from the outset. The full unfreezing cost, which would be £235 million a year at 1994 rates of benefit, would be reached as people whose pensions were partially unfrozen were replaced by those whose pensions had never been frozen.

My hon. Friend may say that that is spending in the future, but spending in the future is no less spending; it is simply spending that we would impose on our grandchildren rather than ourselves.

12.15 am

Dr. Marek: The Minister speaks of spending. It is not actually spending; we are talking of contributions that people have paid for part of their working lives. If the Government have the money, the Government can invest it and can pay the increased contributions out of the investment. It is not actually spending by Government.

Mr. Arbuthnot: That is a delightful but, I suggest, misguided view of economics. National insurance contributions generate a right to pensions under certain conditions, which are set down in the rules that we have at the moment.

New clause 10 would require the Government to pay future increases of retirement pension abroad and to make good, by instalments, upratings forgone in the past. The £235 million cost of fully unfreezing pensions would thus be reached over five years.

New clause 17 is also technically defective. The Secretary of State already has the power to amend regulations in the way proposed, so primary legislation is not needed. However, the intention of new clause 17 is clear and rather eccentric. It would give United Kingdom pensioners in Australia and Canada the upratings that take effect from two years after the Bill becomes law. About 80 per cent. of pensioners who do not receive annual upratings live in Australia or Canada. Even if upratings arising only in the future were paid in those two countries, they would cost about £11 million in the first year, but that cost would increase steadily to £200 million.

That is not the only factor. Many UK pensioners in Australia and Canada also qualify for pensions from those countries, so the UK pension is deducted, in whole or in part, from that pension. That means that, if the UK pensions were to be uprated in Australia, not all the additional expenditure would go to the pensioners. A proportion would go straight to the Australian exchequer.

Mr. Kirkwood: That is not true if they have been there for more than 10 years.

Mr. Arbuthnot: It is not true for everyone. I do not know the precise percentage, but it is not true for everyone. However, a proportion would go straight to the Australian exchequer.

The point of principle on new clause 17 brings me to the reason that I suggested that it was rather eccentric. It is blatantly discriminatory. It seeks to extend the payment of increases to pensioners in Australia and Canada but not to pensioners in the other 148 countries involved. Quite what the pensioners of New Zealand and the eastern Caribbean states have done to irritate the Liberal Democrats is beyond me, but I do not believe that it would be right to pursue that change to the law.

Mr. Nicholas Winterton *(Macclesfield):* My hon. Friend obviously seeks to argue a difficult case with a House that, overwhelmingly, is sympathetic to the propositions made in the new clauses. I believe that he is doing quite a good job, but I do not believe that the proposal made by the hon. Member for Roxburgh and Berwickshire (Mr. Kirkwood) is unreasonable.

I ask my hon. Friend the Minister, would it not help the House if there were an inquiry? Even if it takes two years, it would be very helpful in advising the House of the precise way in which pensioners overseas are affected. Then, when the matter is debated again, the House might undertake the debate from a position of knowledge of the way in which our pensioners overseas are faring and whether they deserve the sympathy that I believe that the House seeks to give them tonight.

Mr. Arbuthnot: The problem is that the inquiry and the sort of meetings and negotiations that my hon. Friend is suggesting would be based on a false promise, because we do not feel that it would be right at this stage to reverse Government policy. Now is not the time to spend £235 million on this matter. We pay out more than £900 million a year to more than 700,000 pensioners overseas. To increase that would be to fly in the face of the Government's commitment to contain the cost of social security now and in the future. I therefore urge the House to reject the new clause.

Mr. Alfred Morris: If I may, I shall reply briefly. I listened very carefully to what the Minister said, but I still find it difficult to determine where he stands. He was critical of what new clause 7 says about the requirement to report within a year. Is he asking for a period of two years, or three years? He did not appear to argue in principle against the need for bilateral discussions and a report to the House, but said over and over again that the cost of the new clauses would be a quarter of a billion pounds.

That is not fair to the high commissioners of Australia and Canada. They have made it very clear, as I did in my opening speech, that they are seriously prepared to consider other, less costly, options. Thus, simply to repeat over and over again the figure of a quarter of a billion pounds is less than fair to high commissioners whose reputations are most highly respected in all parts of the House.

New clause 7 would not cost a penny and I see it as sheer obscurantism to say that we should not try to find out more. If countries do not want to consult, we would obviously not try to force them to consult, but there are countries that do want to consult. Therefore, I shall press the new clause.

Mr. Corbyn: I want briefly to put on record the fact that, like many hon. Members, I have had many letters

[Mr. Corbyn]

from all over the world, often from desperate people. I think that the Minister's reply to the reasonable proposal is wholly inadequate.

It cannot be right that the Government understand that there is a problem, having been forced to publish a document about it, but then say that they do not want to undertake an inquiry because they do not want to know the results of that inquiry or exactly what the problem was in the first place. Inadequately uprated as the current state pension is, surely the principle that has to be borne in mind is that it is a contributory scheme. It may be pay-as-you-go, but the principle is that one pays into the national insurance fund during one's working life in the reasonable expectation of getting a pension at the end of it.

If one happens to go and live in another country for any number of reasons—family commitments, for example—one should not be penalised. The basic principle, which has been strongly supported by more than 280 Members of Parliament, should bend the Government a little further than was suggested by the Minister's obscure, waffling reply.

Question put, That the clause be read a Second time:—

The House divided: Ayes 39, Noes 179.

Division No. 196] **[12.22 am**

AYES

Ashdown, Rt Hon Paddy
Barnes, Harry
Beggs, Roy
Bruce, Malcolm *(Gordon)*
Carlile, Alexander *(Montgomery)*
Chidgey, David
Cohen, Harry
Corbyn, Jeremy
Cunningham, Roseanna
Davis, Terry *(B'ham, H'dge Hl)*
Denham, John
Ewing, Mrs Margaret
Field, Frank *(Birkenhead)*
Foster, Don *(Bath)*
Graham, Thomas
Harvey, Nick
Hill, Keith *(Streatham)*
Hughes, Simon *(Southwark)*
Johnston, Sir Russell
Jones, Nigel *(Cheltenham)*
Llwyd, Elfyn
Lynne, Ms Liz
Mackinlay, Andrew
Marek, Dr John
Marshall, Jim *(Leicester, S)*
Michie, Mrs Ray *(Argyll & Bute)*
Morris, Rt Hon Alfred *(Wy'nshawe)*
Parry, Robert
Pike, Peter L
Rendel, David
Ross, William *(E Londonderry)*
Salmond, Alex
Skinner, Dennis
Smyth, The Reverend Martin
Taylor, Matthew *(Truro)*
Wallace, James
Welsh, Andrew
Wise, Audrey
Wray, Jimmy

Tellers for the Ayes:
Mr. Archy Kirkwood and
Mr. Paul Tyler.

NOES

Ainsworth, Peter *(East Surrey)*
Alexander, Richard
Alison, Rt Hon Michael *(Selby)*
Amess, David
Ancram, Michael
Arbuthnot, James
Arnold, Jacques *(Gravesham)*
Arnold, Sir Thomas *(Hazel Grv)*
Atkins, Rt Hon Robert
Atkinson, Peter *(Hexham)*
Baker, Nicholas *(North Dorset)*
Bates, Michael
Batiste, Spencer
Bellingham, Henry
Beresford, Sir Paul
Biffen, Rt Hon John
Bonsor, Sir Nicholas
Booth, Hartley
Boswell, Tim
Bottomley, Peter *(Eltham)*
Bowis, John
Brandreth, Gyles
Brazier, Julian
Bright, Sir Graham
Browning, Mrs Angela
Bruce, Ian *(Dorset)*
Burns, Simon
Burt, Alistair
Carrington, Matthew
Cash, William
Channon, Rt Hon Paul
Chapman, Sydney
Clappison, James
Clarke, Rt Hon Kenneth *(Ru'clif)*
Clifton-Brown, Geoffrey
Colvin, Michael
Conway, Derek
Coombs, Anthony *(Wyre For'st)*
Cope, Rt Hon Sir John
Couchman, James
Currie, Mrs Edwina *(S D'by're)*
Davies, Quentin *(Stamford)*
Davis, David *(Boothferry)*
Day, Stephen
Deva, Nirj Joseph
Devlin, Tim
Dorrell, Rt Hon Stephen
Douglas-Hamilton, Lord James
Dover, Den
Duncan, Alan
Duncan-Smith, Iain
Dunn, Bob
Durant, Sir Anthony
Eggar, Rt Hon Tim
Elletson, Harold
Evans, Jonathan *(Brecon)*
Evans, Nigel *(Ribble Valley)*
Evans, Roger *(Monmouth)*
Fabricant, Michael
Field, Barry *(Isle of Wight)*
Fishburn, Dudley
Forman, Nigel
Forsyth, Rt Hon Michael *(Stirling)*
Fox, Dr Liam *(Woodspring)*
Freeman, Rt Hon Roger
French, Douglas
Gale, Roger
Gallie, Phil
Garnier, Edward
Gillan, Cheryl
Goodson-Wickes, Dr Charles
Gorst, Sir John
Greenway, John *(Ryedale)*
Gummer, Rt Hon John Selwyn
Hague, William
Hamilton, Rt Hon Sir Archibald
Hamilton, Neil *(Tatton)*
Hanley, Rt Hon Jeremy
Hannam, Sir John
Hawkins, Nick
Hayes, Jerry
Heald, Oliver
Hendry, Charles
Higgins, Rt Hon Sir Terence
Hogg, Rt Hon Douglas *(G'tham)*
Horam, John
Howarth, Alan *(Strat'rd-on-A)*
Hughes, Robert G *(Harrow W)*
Jack, Michael
Jackson, Robert *(Wantage)*
Jenkin, Bernard
Jones, Gwilym *(Cardiff N)*
Jones, Robert B *(W Hertfdshr)*
King, Rt Hon Tom
Kirkhope, Timothy
Knapman, Roger
Knight, Mrs Angela *(Erewash)*
Knight, Greg *(Derby N)*
Kynoch, George *(Kincardine)*
Lait, Mrs Jacqui
Lamont, Rt Hon Norman
Legg, Barry
Lennox-Boyd, Sir Mark
Lidington, David
Lightbown, David
Lilley, Rt Hon Peter
Lloyd, Rt Hon Sir Peter *(Fareham)*
Lord, Michael
Luff, Peter
Lyell, Rt Hon Sir Nicholas
MacGregor, Rt Hon John
MacKay, Andrew
Maclean, Rt Hon David
Maitland, Lady Olga
Malone, Gerald
Mans, Keith
Martin, David *(Portsmouth S)*
Mates, Michael
Mayhew, Rt Hon Sir Patrick
Merchant, Piers
Mills, Iain
Moate, Sir Roger
Montgomery, Sir Fergus
Nelson, Anthony
Neubert, Sir Michael
Newton, Rt Hon Tony
Nicholls, Patrick
Nicholson, David *(Taunton)*
Onslow, Rt Hon Sir Cranley
Oppenheim, Phillip
Page, Richard
Paice, James
Patnick, Sir Irvine
Pattie, Rt Hon Sir Geoffrey
Porter, David *(Waveney)*
Portillo, Rt Hon Michael
Powell, William *(Corby)*
Rathbone, Tim
Redwood, Rt Hon John
Richards, Rod
Robathan, Andrew
Roberts, Rt Hon Sir Wyn
Robertson, Raymond *(Ab'd'n S)*
Robinson, Mark *(Somerton)*
Rowe, Andrew *(Mid Kent)*
Ryder, Rt Hon Richard
Shaw, Sir Giles *(Pudsey)*
Shepherd, Colin *(Hereford)*
Spencer, Sir Derek
Spicer, Sir James *(W Dorset)*
Spicer, Michael *(S Worcs)*
Spink, Dr Robert
Spring, Richard
Sproat, Iain
Squire, Robin *(Hornchurch)*
Stephen, Michael
Streeter, Gary
Sweeney, Walter
Sykes, John
Taylor, Ian *(Esher)*
Taylor, Sir Teddy *(Southend, E)*
Thomason, Roy
Thompson, Patrick *(Norwich N)*
Thurnham, Peter
Townsend, Cyril D *(Bexl'yh'th)*
Trend, Michael
Twinn, Dr Ian
Viggers, Peter
Waller, Gary
Wardle, Charles *(Bexhill)*
Waterson, Nigel
Watts, John
Wells, Bowen
Wheeler, Rt Hon Sir John
Whittingdale, John
Widdecombe, Ann
Willetts, David
Wilshire, David
Wolfson, Mark

Tellers for the Noes:
Mr. Andrew Mitchell and
Mr. Timothy Wood.

Question accordingly negatived.

New clause 10

ENTITLEMENT TO PENSION UPRATING (RESIDENCE OUTSIDE GREAT BRITAIN) (PHASED INTRODUCTION) (No. 2)

'.—(1) The Social Security Contributions and Benefits Act 1992 shall be amended as follows.

(2) In section 119 (Persons outside Great Britain), at the beginning there shall be inserted "Subject to section 119A".

(3) After section 119, there shall be inserted—

"Entitlement to pension uprating (residence outside Great Britain) (phased introduction)

119A—(1) This section applies to any person who is entitled to a retirement pension under Part II or III of this Act and who is disqualified by reason of residence outside Great Britain from a retirement pension under this Act, or any uprating of any such pension (an 'affected pensioner').

(2) There shall be paid to any affected pensioner any uprating of a retirement pension which is payable to any other pensioner under this Act at any date after the passing of the Pensions Act 1995.

(3) The Secretary of State shall by regulations made by statutory instrument make provision for a scheme which shall ensure that, within the period of five years after the passing of the Pensions Act 1995, no affected pensioner shall receive a retirement pension of any lesser amount than he would have received if he had been resident in Great Britain throughout the period from which he first became eligible for a retirement pension.

(4) So far as practicable, a scheme under subsection (3) above shall ensure that an affected pensioner's retirement pension is increased by an equal amount in each year of the five year period referred to in that subsection.".'.—*[Mr. Churchill.]*

Brought up, and read the First time.

Motion made, and Question put, That the clause be read a Second time:—

The House divided: Ayes 35, Noes 167.

Division No. 197] **[12.33 am**

AYES

Barnes, Harry
Beggs, Roy
Bowden, Sir Andrew
Bruce, Malcolm *(Gordon)*
Carlile, Alexander *(Montgomery)*
Chidgey, David
Churchill, Mr
Cohen, Harry
Corbyn, Jeremy
Cunningham, Roseanna
Davis, Terry *(B'ham, H'dge Hl)*
Foster, Don *(Bath)*
Graham, Thomas
Hannam, Sir John
Hughes, Simon *(Southwark)*
Jessel, Toby
Johnston, Sir Russell
Jones, Nigel *(Cheltenham)*
Kirkwood, Archy
Lynne, Ms Liz
Michie, Mrs Ray *(Argyll & Bute)*
Mills, Iain
Morris, Rt Hon Alfred *(Wy'nshawe)*
Parry, Robert
Rendel, David
Ross, William *(E Londonderry)*
Salmond, Alex
Skinner, Dennis
Smyth, The Reverend Martin
Taylor, Sir Teddy *(Southend, E)*
Tyler, Paul
Welsh, Andrew
Wise, Audrey
Wolfson, Mark
Wray, Jimmy

Tellers for the Ayes:
Mr. Andrew Mackinlay and Dr. John Marek.

NOES

Ainsworth, Peter *(East Surrey)*
Alexander, Richard
Alison, Rt Hon Michael *(Selby)*
Amess, David
Ancram, Michael
Arbuthnot, James
Arnold, Jacques *(Gravesham)*
Arnold, Sir Thomas *(Hazel Grv)*
Atkins, Rt Hon Robert
Atkinson, Peter *(Hexham)*
Baker, Nicholas *(North Dorset)*
Bates, Michael
Batiste, Spencer
Bellingham, Henry
Beresford, Sir Paul
Biffen, Rt Hon John
Bonsor, Sir Nicholas
Booth, Hartley
Boswell, Tim
Bottomley, Peter *(Eltham)*
Bowis, John
Brandreth, Gyles
Brazier, Julian
Bright, Sir Graham
Browning, Mrs Angela
Bruce, Ian *(Dorset)*
Burns, Simon
Burt, Alistair
Carrington, Matthew
Cash, William
Channon, Rt Hon Paul
Chapman, Sydney
Clappison, James
Clarke, Rt Hon Kenneth *(Ru'cliff)*
Clifton-Brown, Geoffrey
Colvin, Michael
Conway, Derek
Coombs, Anthony *(Wyre For'st)*
Cope, Rt Hon Sir John
Couchman, James
Currie, Mrs Edwina *(S D'by'ire)*
Davies, Quentin *(Stamford)*
Davis, David *(Boothferry)*
Day, Stephen
Deva, Nirj Joseph
Devlin, Tim
Dorrell, Rt Hon Stephen
Douglas-Hamilton, Lord James
Dover, Den
Duncan, Alan
Duncan-Smith, Iain
Dunn, Bob
Durant, Sir Anthony
Eggar, Rt Hon Tim
Elletson, Harold
Evans, Jonathan *(Brecon)*
Evans, Nigel *(Ribble Valley)*
Evans, Roger *(Monmouth)*
Fabricant, Michael
Field, Barry *(Isle of Wight)*
Fishburn, Dudley
Forman, Nigel
Forsyth, Rt Hon Michael *(Stirling)*
Fox, Dr Liam *(Woodspring)*
Freeman, Rt Hon Roger
French, Douglas
Gale, Roger
Gallie, Phil
Garnier, Edward
Gillan, Cheryl
Goodson-Wickes, Dr Charles
Gorst, Sir John
Greenway, John *(Ryedale)*
Gummer, Rt Hon John Selwyn
Hague, William
Hamilton, Rt Hon Sir Archibald
Hanley, Rt Hon Jeremy
Hawkins, Nick
Hayes, Jerry
Heald, Oliver
Hendry, Charles
Higgins, Rt Hon Sir Terence
Hogg, Rt Hon Douglas *(G'tham)*
Horam, John
Howarth, Alan *(Strat'rd-on-A)*
Hughes, Robert G *(Harrow W)*
Jack, Michael
Jackson, Robert *(Wantage)*
Jenkin, Bernard
Jones, Gwilym *(Cardiff N)*
Jones, Robert B *(W Hertfdshr)*
King, Rt Hon Tom
Kirkhope, Timothy
Knight, Mrs Angela *(Erewash)*
Knight, Greg *(Derby N)*
Kynoch, George *(Kincardine)*
Lait, Mrs Jacqui
Lamont, Rt Hon Norman
Legg, Barry
Lennox-Boyd, Sir Mark
Lidington, David
Lightbown, David
Lilley, Rt Hon Peter
Lloyd, Rt Hon Sir Peter *(Fareham)*
Lord, Michael
Luff, Peter
Lyell, Rt Hon Sir Nicholas
MacGregor, Rt Hon John
MacKay, Andrew
Maclean, Rt Hon David
Maitland, Lady Olga
Malone, Gerald
Mans, Keith
Martin, David *(Portsmouth S)*
Mates, Michael
Merchant, Piers
Moate, Sir Roger
Montgomery, Sir Fergus
Nelson, Anthony
Neubert, Sir Michael
Newton, Rt Hon Tony
Nicholls, Patrick
Nicholson, David *(Taunton)*
Onslow, Rt Hon Sir Cranley
Oppenheim, Phillip
Page, Richard
Patnick, Sir Irvine
Pattie, Rt Hon Sir Geoffrey
Porter, David *(Waveney)*
Portillo, Rt Hon Michael
Rathbone, Tim
Redwood, Rt Hon John
Richards, Rod
Robathan, Andrew
Roberts, Rt Hon Sir Wyn
Robertson, Raymond *(Ab'd'n S)*
Robinson, Mark *(Somerton)*
Rowe, Andrew *(Mid Kent)*
Shaw, Sir Giles *(Pudsey)*
Shepherd, Colin *(Hereford)*
Spencer, Sir Derek
Spicer, Michael *(S Worcs)*
Spink, Dr Robert
Spring, Richard
Sproat, Iain
Squire, Robin *(Hornchurch)*
Stephen, Michael
Streeter, Gary
Sweeney, Walter
Sykes, John
Taylor, Ian *(Esher)*
Thomason, Roy
Thompson, Patrick *(Norwich N)*
Thurnham, Peter
Townsend, Cyril D *(Bexl'yh'th)*
Trend, Michael

Twinn, Dr Ian	Whittingdale, John
Waller, Gary	Widdecombe, Ann
Wardle, Charles *(Bexhill)*	Willetts, David
Waterson, Nigel	Wilshire, David
Watts, John	
Wells, Bowen	**Tellers for the Noes:**
Wheeler, Rt Hon Sir John	**Mr. Timothy Wood and**
	Mr. Andrew Mitchell.

Question accordingly negatived.

New clause 19

HOME RESPONSIBILITY PROTECTION

"For any person attaining pensionable age on or after 6th April 1999, for the purposes of Schedule 3 of the Social Security Contributions and Benefits Act 1992 (contribution conditions for entitlement to benefit) and for the purpose only of calculation of retirement pensions, a person prevented from regular employment by responsibilities at home shall be treated as having paid primary Class I contributions during any period during which they were so prevented.'.—*[Mr. Kirkwood.]*

Brought up, and read the First time.

12.45 am

Mr. Kirkwood: I beg to move, That the clause be read a Second time.

Mr. Deputy Speaker (Sir Geoffrey Lofthouse): With this, it will be convenient to discuss also the following:

New clause 20—*SERPS disregard*—

'Subsection (4)(b) of section 45 of the Social Security Contributions and Benefits Act 1992 shall be amended to insert after the words "5th April 1978" the words "after disregarding any tax year from 2011 onwards where—

(i) there is no surplus in the pensioner's earnings factor and

(ii) the person was aged 60 or over".'.

Amendment No. 21, in clause 133, page 90, line 40, at end insert—

'( ) In paragraph 5(5) of Schedule 3 to that Act, for the table there is substituted—

"Duration of Working Life	*Requisite Number of Years*
10 years or less	The number of years of the working life, minus 2,
20 years or less (but more than 10)	The number of years of the working life, minus 4,
30 years or less (but more than 20)	The number of years of the working life, minus 6,
40 years or less (but more than 30)	The number of years of the working life, minus 8,
More than 40 years	The number of years of the working life, minus 10".'.

Amendment No. 23, in schedule 4, page 147, line 33, leave out '2000' and insert '2010'.

Amendment No. 24, in schedule 4, page 147, line 34, at end insert—

'( ) In the case of a pensioner whose spouse died on or after 5th April 2000, and on or before 5th April 2010, sections 48A(4)(b) and 48B(2)(b) shall have effect with the omission of the words "half of" and after the words "additional pension" the insertion of the words "reducing by 5 per cent. for each complete year after 5th April 2000 and before death".'.

Amendment No. 25, in schedule 4, page 148, line 19, at end insert—

'( ) In section 44(3)(b) of that Act (as amended by this paragraph) following the words "for the relevant years" there is inserted "or, if there are more than 39 such surpluses, of those 39 which are the largest".'.

Mr. Kirkwood: I shall deal with the amendments relatively quickly and I certainly have no intention of pushing them to a Division—if that helps any hon. Members who may wish to make dispositions in advance of the end of the debate.

There has been very interesting and useful debate on the Report stage of the Bill so far this evening in addressing the situation of war widows and the position of divorcees. They are very important subjects and it is correct that we should examine the effect of the legislation on those groups. However, the changes will affect a relatively small number of women as a proportion of the general population.

The Equal Opportunities Commission report estimates that, by 2023, two thirds of all retired women will have an income on the margins of poverty. This small clutch of amendments and new clauses seeks to reinforce in the Government's mind the importance of trying to deal with the situation that some women will face when they retire. Women are still disadvantaged in the workplace. They are disadvantaged in the expectations placed upon them for child care, in having to care for elderly and dependent relatives, and in the availability of non-state pensions for part-time, low-paid work—in which many are engaged—and of pensions for those whose working lives have been interrupted.

I do not think that the Bill as it stands addresses adequately the fundamental disadvantages that women will face upon retirement. Before the Bill was drafted, the Government consulted about the equalisation of state pension age. We supported that consultation process and we concluded that we favoured a decade of retirement with a common retirement age of 65 years. The Social Security Advisory Committee and the Equal Opportunities Commission recommended that any money clawed back by the Exchequer from the equalisation of state pension age at 65 should be targeted at vulnerable groups.

We have placed the amendments before the House in order to draw attention to the fact that women who are engaged in part-time, low-paid work have poor prospects for a decent income in retirement. Some 88 per cent. of those who earn less than the lower earnings limit—which is currently £59 per week—are women; 73 per cent. of all those who claim income support in retirement are single women; and, on average, women are employed for 57 per cent. of their working lives compared with 97 per cent. for men. Therefore, we can state unequivocally that the vulnerable group comprises primarily women.

I recently tabled a number of questions which the Minister was kind enough to answer. Although that was a very useful exchange and I understand that it would take a lot of money to address the ideas in the amendments adequately and fully, the purpose of the amendments is not to ask that that money be paid forthwith; their purpose is simply to probe the Government's intentions. If the Government do not intend to address the matter in the Bill, how will they make adequate provision in the near future for women such as those who work intermittently throughout their careers in part-time, relatively low-paid jobs in the textile industry in my constituency? Many women will retire and fall into inadequate financial circumstances which will affect them and their families in an unconscionable manner. The matter must be addressed urgently.

Mr. Arbuthnot: All the amendments seek to reduce the effects of our state pension reforms, which have been designed to achieve equality of treatment between men and women and to ensure the continued affordability of SERPS. We have taken care to ensure that women's ability to secure a basic state pension will not be affected by those changes and that the position of people in vulnerable groups is protected by our proposals. We have protected the position of older women and ensured that those who are affected have been given plenty of time to change their pension plans. The amendments would make inroads into the steps that we have taken to put long-term state pension provision on to a more sustainable basis. They would increase expenditure in a poorly targeted way that cannot be supported. I urge hon. Members to reject them.

Question, That the clause be read a Second time, *put and negatived.*

Further consideration of the Bill adjourned.—*[Mr. Burns.]*

Bill, as amended (in the Standing Committee), to be further considered tomorrow.

LOCAL GOVERNMENT FINANCE

Ordered,

That the provisions of paragraph (2) of Standing Order No. 84 (Constitution of standing committees), paragraph (1) of Standing Order No. 86 (Nomination of standing committees) and Standing Order No. 101 (Standing Committees on Statutory Instruments, &c.) shall apply to the Updated Code of Audit Practice for Local Authorities and the National Health Service in England and Wales as if it were a draft statutory instrument; and that the said Updated Code be referred to a Standing Committee on Statutory Instruments, &c.—*[Mr. Burns.]*

Black People (Deaths in Custody)

Motion made, and Question proposed, That this House do now adjourn.—*[Mr. Burns.]*

12.50 am

Mr. Harry Cohen (Leyton): There have been nearly 70 deaths of black people in custody since 1987, which the Institute of Race Relations and the organisation Inquest describe as giving some cause for concern. I will read the names into the record: Akhtar Moghul, Clinton McCurbin, Ahmed Katangole, Rai Jasbir Singh, Nenneh Jalloh, Mohammed Parkit, Anachu Anozie Osita, Tunay Hassan, Terence Brown, Anthony Mahony, Mark Ventour, Joseph Palombella, Samuel Carew, Femi Adelaja, Armando Belonia, Bahader Singh, Oakley Ramsey, Kelroy Briscoe, Joseph Watts, Sajjan Singh Atwal, Derek Stephen Buchanan, Martin Richmond, Wayne Tobison, David 'Duke' Daley, Nicholas Bramble, Vincent Graham, Jamie Stewart, Edwin Carr, Mr. Romany, Siho Iyugiven, Germain Alexander, Kimpua Nsimba, Oliver Pryce, Aslam Khan, Edwin Robinson, Delroy McKnight, Vandana Patel, Ian Gordon, Arthur Allison, Leon Patterson, Sohan Sanghera, Joy Gardner, Kwanele Eldah Siziba, Mark Harris, Joseph Nnalue, Oluwashiji Shiji Lapite, Tyrone Wilson, David Ewin, John Ryan, Kwaku Andrew Ohene, Omasase Lumumba, Melita Crawford, Errol Commock, James Segawa, Ian Francis, Donna Awadat, Nadeem Younus, Warren Jones, Adejare Paul Akinbiyi, Turan Pekoz, Carl Owens, Oluwafeyisola Akinbobola, Norman Washington Manning, Anthony Lloyd Powell, Orville Blackwood, Mark Fletcher, Munir Usef Mojothi, Jerome Scott and Rupert Marshall.

Those names are given in the Institute of Race Relations publication "Deadly silence—black deaths in custody" and in a letter from the institute dated 19 April. That is a roll call of shame for the British state and for Home Office Ministers, who have shown no concern about those deaths. The Minister should do the decent thing after this debate and write to me, put a paper in the Library or write to the families of every one of those individuals with an explanation for their deaths.

Fifteen years ago, the Home Affairs Select Committee published a report on the deaths of people in police custody because, in the 10 years up to 1987, 274 people died while in the custody of the police. There were allegations that 26 of those deaths were the result of police action, but no one was prosecuted. Compare that figure with the deaths of all the individuals that I have named.

The Police Complaints Authority has said that police custody deaths are running at about one a week. A disturbingly high number of them involve people from the black and ethnic minority communities. Although there have been several verdicts of unlawful killing, only one has resulted in an official admission of responsibility and payment of compensation. There have been deaths in police cells, prisons and psychiatric hospitals of immigrants and asylum seekers. The brutality that has brought about those deaths includes tape over the mouth, neck-holds, the new police baton, forced medication and beatings up.

There has been a wall of silence and secrecy in response to those deaths. Peter Moorhouse, the deputy chairman of the Police Complaints Authority, is quoted in *The Guardian* as saying:

"Officers facing disciplinary hearings are ambushing cases by holding back information and intimidating witnesses with considerable success."

Inquest, in its newsletter this summer, states:

"We have absolutely no confidence in current mechanisms for investigating deaths in police custody where the police are called in to investigate themselves. These investigations remain biased, inherently secret and are never made public and yet they form the basis on which the Crown Prosecution Service and the Police Complaints Authority decide where charges are to be brought and strongly influence the shape of the inquest. Prosecutions rarely happen. This means the police remain unaccountable to the public for their actions and are seen by many as being above the law."

In its annual report last year, Inquest referred to deaths in prison. It stated:

"The issue of accountability of the Prison Service remains an area of great concern. Despite numerous recommendations from Coroners, Prison Service internal inquiries and vast amounts of evidence presented at inquests it appears nothing is learnt from the lessons of the past. Without scrutiny of these institutions in the public domain the Prison Service can choose to ignore or implement recommended changes at will."

The report deals with psychiatric deaths as follows:

"Specific cases during the year have highlighted, yet again, the dangers of anti-psychotic medication, the most famous (or notorious) of which is largactil, sometimes known as the liquid cosh . . . An increasing number of cases referred to INQUEST involve death after administration of these drugs and strongly point to a causative link."

The report refers to deaths in police custody, which it describes as "The Invisible Deaths". It continues:

"Many of these deaths could have been prevented by proper medical attention instead of incarceration in a police cell."

As for unlawful killing, the report states:

"Unlawful killing verdicts reached at inquests are ignored despite the fact that the jury is sure that a criminal act has been committed. They are not dealt with at a criminal trial or public enquiry. This is particularly important where it is agents of the state who are suspected either of carrying out the killing or of seeking to conceal the truth."

The killing of Shiji Lapite, the 32-year-old Nigerian is a case in point. I went to his funeral on 24 June. He was killed on 16 December 1994. His voice box was crushed and he was asphyxiated due to pressure on his neck. The priest, a white man, called the killers thugs. Everyone in the church knew that he was referring to the police officers responsible. The priest said that the blood of Shiji Lapite cried out for justice.

Six months after Shiji's death his family know as little about it officially as they did last Christmas. The family's lawyer talks of exceptional delays and lack of co-operation. The family's pathologist has been denied access to information, including photographs of the body which showed much bruising to the head and face, and the toxicology, histology and fixed brain reports. Shiji's family, like all the others, have no right to information about the Police Complaints Authority process, the Crown Prosecution Service process or the coroner's process. There is no legal aid for the families at inquests and no disclosure of information in advance. Legal aid should be available for the families in proceedings before a coroner. That was recommended in the report of the Select Committee on Home Affairs in 1980. It is disgraceful that successive Lord Chancellors have ignored the recommendation.

The cost of that legal aid provision would not be that much. It would be between £2 million and £3 million, just 0.3 per cent. of the legal aid budget. The taxpayer pays

the state's bill—in this instance the killers' bill. Surely the taxpayer should pay the legal aid bill to enable the victim's family to be properly represented.

Omasese Lumumba was killed in Pentonville prison on 8 October 1991. His inquest said that he had been unlawfully killed by prison officers using excessive force and improper methods during the course of control and restraint. Ever since then, there has been a huge cover-up. No information has been supplied to the House or to Members of Parliament.

I have had protracted correspondence with Home Office Ministers, the Lord Chancellor and the Prison Service. To get Ministers off the hook, I have been told to contact the coroner, because he can release information to a properly interested party. I now have a letter from the coroner saying that I am not a properly interested party, even though I am trying to get to the truth of the matter. The letter concludes:

"I have no power to disclose documents which were provided by other agencies purely to assist the coroner in inquiry and for his eyes only, as these documents would be subject to public interest immunity."

We have come across that before in the Matrix Churchill cover-up. It seems to be used to allow injustices to occur.

The coroner did not mention that, apparently, there was a private Prison Service inquiry, or whether he was aware of it. It is a disgrace that suspected killers can talk to a private inquiry in order to avoid justice. The findings of a private inquiry do not go to a coroner, an inquest or the family. Any killer would talk to such an inquiry as he would have carte blanche to lie while resting assured that he would never appear before any system of public justice. That is unacceptable and I call on the Minister to publish a report of the Prison Service inquiry into the unlawful killing by excessive force of Omasese Lumumba.

Other cases deserve full and open information. Norman Washington Manning was killed in a racial murder by other prisoners without the Prison Service fulfilling its duty of care to protect him. Derek Lewis of the Prison Service wrote to me saying:

"I am unable to say whether or not further inquiries may be necessary, nor in these circumstances can I comment on the motive for the killing."

What answer is that to such a murder?

Brian Douglas died of a fractured skull in May after being beaten by police with a new police baton. That warrants a full public inquiry before more people die in the same way. Leon Patterson was detained on remand at Stockport police station in November 1992. After six days he was transferred to Denton police station, where he died a few hours later. Covered in bruises, he received no proper medical treatment despite suffering diarrhoea and vomiting for several days. He was heavily dosed with Mogadon. The inquest said that he was unlawfully killed and that a failure of duty contributed to or caused his death; yet no one was prosecuted.

Mr. Jeremy Corbyn (Islington, North): I am grateful to my hon. Friend for giving way and for obtaining the debate. I am sure that my hon. Friend will agree that the case of Leon Patterson is disgraceful. Despite all the inquiries pressed for by the family, myself and others, nobody from the appropriate police authority admitted responsibility. Eventually, a successful application was made to the High Court to set that inquest verdict aside and we are now back in limbo without even an inquest date so that we can discover who the true killers of Leon Patterson are.

Mr. Cohen: That is a good point. It is one of the cases that the Minister should answer, as is that of Orville Blackwood, who was killed in Broadmoor in August 1991 after being injected with more than three times the recommended dose of tranquilisers.

Oliver Pryce was killed by a police special operations team. Again, the inquest recorded a verdict of unlawful killing. In 1992, the Director of Public Prosecutions announced that there was insufficient evidence to bring further prosecutions and the Police Complaints Authority announced that no officer was to face disciplinary charges. In April 1995, Cleveland constabulary admitted liability for that death and the family were awarded considerable damages; yet no apology was ever given to the family and no officer ever faced charges or disciplinary action.

Those deaths are a disgrace, and many of them were caused by neck-holds and strangleholds which are still prevalent now.

The Independent newspaper on Monday mentioned several deaths, including those of Oliver Pryce, Clinton McCurbin and James Davey. Winston Rose and Nicholas Ofusu—both mentally ill black men—John Lamaletie and others, probably including Shiji Lapite, died of neck-holds and strangleholds which should be banned.

Justice is needed for the families of the deceased. There must be an end to the prevailing secrecy and cover-up procedures that I have described. There should be a ban on neck-holds and strangleholds, and an inquiry into medical care arrangements in prisons, police stations and psychiatric institutions. As was recognised by the 1980 Select Committee report, legal aid should be available to the families of the dead so that they can be represented at inquests. There should be a full, open and independent public inquiry into those shameful deaths, to which the families would all have full access. We want some answers from the Minister about the state's role in those deaths.

1.5 am

The Minister of State, Home Office (Mr. David Maclean): I have listened to the hon. Member for Leyton (Mr. Cohen) with care, and there is one point—although probably only the one—on which I can agree wholeheartedly with him. When a member of the public dies while in the hands of an agent of the state who is charged with his care, that must be treated as a most serious matter.

Indeed, deaths in custody are treated as a very serious matter. It is a requirement for all police forces to report any death in custody to the coroner without delay, and to the Home Office within 48 hours, giving details of the circumstances leading to the death.

For such purposes, the term "custody" is extremely broadly defined, and includes any death in a police station, whether or not the person had been arrested, and also the deaths of witnesses who had been attending a police station voluntarily. The definition includes deaths that occur in hospital if the deceased had been taken there from a police station. It also includes any death that takes place in the street after a person has been arrested by a police officer,

[Mr. David Maclean]

and any other case in which the person was in the hands of the police at the time of death—for example, in a police vehicle—or in police custody at a court. Finally, it includes any death that results from an injury caused by a police officer in the execution of his duty.

The full definition is set out in the Home Office consolidated circular of 1986. It is deliberately couched in wide terms to avoid any suspicion that a death of which the police were culpable could somehow fall outside its terms of reference. In my view, it probably errs on the side of being too wide, and I have been re-examining it to see whether it should focus more clearly on circumstances in which there is some possibility, however small, of police culpability.

Far from our hushing up such matters, the full details of all deaths in police custody are published each year in a Home Office bulletin of police complaints and discipline statistics. The bulletin gives details of the date when and the place in which each death took place, the age and the gender of the victim, and the verdict of the coroner. It also gives a brief account of the circumstances of each death.

We provide that information because we recognise that it is crucial to preserving trust between the police and the public that there should be as much openness as possible about deaths that occur in police custody. For the same reason, it has now become standard practice for police forces to call in the Police Complaints Authority whenever a death occurs in custody, so that the authority can decide whether to look further into the matter.

Deaths of prisoners in Prison Service custody also have to be reported immediately to the coroner and to Prison Service headquarters. Where there are suspicious circumstances, the police will also be brought in. Rule 19 of the prison rules requires the spouse or next of kin to be informed at once, as well as any other close associates of the deceased. They may also visit the establishment in which the death occurred.

Like the police and the Prison Service, the immigration service has clear rules on the procedures for reporting deaths in immigration custody, in which the coroner would be informed at once and the police asked to investigate any suspicious circumstances. There has been only one death in immigration custody in recent years, and that was a tragic case in which two men set fire to their own cell, killing one and seriously injuring the other.

It is important to put into context the number of deaths in police custody. In the past five years, it has ranged between 36 and 61 per year, and more than 1.5 million people are arrested by the police each year. Given the number of people who pass through police hands each year, it is an actuarial inevitability that some will die while they are in police custody. Indeed, a number of deaths occur each year as a result of heart attacks suffered by people who have been arrested.

A large proportion of deaths are associated with drug or alcohol abuse. The Police and Criminal Evidence Act 1984 codes have strict requirements about the treatment of drunks. They must be roused and spoken to every half hour, to ensure that they do not lapse into a coma. If the condition of any detainee gives grounds for concern, a doctor must be called. But people who abuse drugs or alcohol put their lives at risk and, despite the best efforts of the police, some of them die while in police custody.

The hon. Gentleman asked about neck-holds. The Police Complaints Authority, in its annual report for 1993, stated that, following a number of high-profile cases, it had compiled a substantial body of expert opinion on the effect of neck-holds and certain arm locks, which it had passed to the relevant committee of the Association of Chief Police Officers. The expert opinion was that a neck-hold that exerts any pressure on the carotid artery—the artery in the neck that carries oxygenated blood and nutrients to the head—or any hold that compresses the airway, involves, except in extreme circumstances, an unacceptably high element of risk. The authority expressed the view that that advice must be emphasised in police training to avoid the risk of deaths resulting from that type of restraint.

The use of training and self-defence techniques is an operational matter for the chief officer of each force. Guidance on those matters is issued by ACPO through its standing sub-committee on self-defence, arrest and restraint. I understand that the sub-committee is in the process of reviewing its guidance and is looking at, among other things, the use of neck-holds in restraining assailants.

I shall now say a few words about lay visiting in police stations. Lay visiting plays a valuable role in police-community relations and in providing independent oversight of police treatment of detainees in police stations, and the conditions in which people are held. Following the success of pilot schemes set up in 1983, the Home Office recommended the setting up of lay visiting schemes in all force areas. Updating guidance was issued in 1991 in respect of the Metropolitan police district, and in 1992 for the rest of the country. All areas now have lay visiting schemes in operation. The responsibility for the setting up of lay visiting arrangements lies with the police authority. In London, it lies with the Home Office, now the Metropolitan Police Committee, in consultation with the chief constable.

From the earliest days, it was recognised that schemes needed to evolve to suit local circumstances. There is accordingly a wide variation in schemes and panel membership, ranging from those comprising visitors recruited from the public at large to those that consist of police authority members who make visits as part of their normal duties. The purpose of lay visiting is to enable members of the local community to observe, comment and report on the conditions under which persons are detained at police stations, and the operation and practice of the statutory and other rules governing their welfare, with a view to securing greater public understanding and confidence in those matters. Those arrangements also provide an independent check on the way in which police officers carry out their duties with regard to detained persons.

The police are required to give direct and immediate access to lay visitors, who arrive unannounced at police stations at any time of the day or night. Lay visitors may inspect empty cells, talk to all detainees if the detainees consent and examine custody records—again, if the detainees consent. Any areas of concern, or complaints, are immediately drawn to the attention of the custody officer. Reports on each visit are made to the police authority.

The police service accords the highest priority to good relations with all members of the community that it serves, irrespective of racial background or other factors.

Since 1993, the service has been collecting information for Her Majesty's inspectorate of constabulary on the ethnic origin of those stopped and searched under the relevant powers in the Police and Criminal Evidence Act 1984. The 1993-94 figures were made available nationally, and chief officers are beginning to make available locally their forces' figures for the most recent financial year. Additional ethnic monitoring of police activity will begin from 1 April next year.

All that will help chief officers to assess whether their officers are delivering an equitable service to all sectors of the public. It also shows that our police service is prepared to look at how it operates, and to make changes to its policies and practices if necessary.

The recruitment and retention of members of ethnic minorities to the police service is a high priority. The Government are keen for the service to represent the communities it serves.

Mr. Cohen: What the Minister has been saying does not really address the seriousness of the concern expressed in my speech, and the feelings of the families of those who have died. What lessons have the Minister and the police learnt from those 70 deaths, and what changes will be made to prevent another 70 in the future?

Mr. Maclean: As I tried to make clear at the beginning of my speech, the vast majority of those people died while suffering from the results of alcohol or drug abuse, or from heart attacks, or in other circumstances in which no blame can be attributed to the police. It is unfair of the hon. Gentleman to suggest that there are 70 deaths a year, and that the police are somehow guilty because people happen to die while they have been visiting a police station, giving evidence at a police station or sitting in a police cell. Moreover, while the police service is happy to look into neck-holds, I am concerned that the service should have sufficient restraint methods to deal with some of the raving maniacs whom it must hold at times.

Let me also tell the hon. Gentleman that, when there is any evidence whatever of police culpability in the use of excessive violence, or any other action that results in the death of someone in police custody, a proper investigation takes place. If there are lessons to be learned, they will be learned and put into practice. As I intimated in connection with neck-holds, the police are investigating what additional training may be necessary so that they can safely grab some violent raving maniac by whatever part of his body is available, but hold him in a way that will not result in his untimely death.

It is all very well for us to sit in the plush comfort of the House of Commons and talk about police officers who should show tremendous care for some of the people they must arrest. It is quite another matter to be patrolling the streets on Friday and Saturday nights and to have to deal with the people out there who are assaulting the police time and again, knifing and murdering them. Of course the police must behave within the rule of law; when they do not do so, they are held to account and dealt with very severely.

I was also trying to demonstrate to the hon. Gentleman that, in order to prove to the communities they guard that the police can be trusted to behave properly and favourably to all sections of those communities, the police are engaged in ethnic monitoring of the people whom they arrest and with whom they deal, and of those whom they recruit for the police service. They are keen to ensure that, throughout England and Wales, serving police officers properly represent those in the community with whose policing they are charged.

For the past few years, we have actively encouraged police forces in their attempts to secure more black and Asian recruits, but we recognise that there is more work to be done in increasing the representation of ethnic minority groups in the police force.

The motion having been made after Ten o'clock, and the debate having continued for half an hour, MR. DEPUTY SPEAKER *adjourned the House without Question put, pursuant to the Standing Order.*

Adjourned accordingly at twenty minutes past One o'clock.

House of Commons

Wednesday 5 July 1995

The House met at Ten o'clock

PRAYERS

[MADAM SPEAKER *in the Chair*]

Grant-Maintained Schools

Motion made, and Question proposed, That this House do now adjourn.—*[Mr. Conway.]*

10.2 am

Mrs. Angela Knight (Erewash): I am grateful for this opportunity to debate the future of grant-maintained schools and to enliven this calm and quiet week. I am also grateful to my hon. Friends who have torn themselves away from speculation and their telephones to join me this morning.

With more than 1,000 grant-maintained schools across the country, some 500,000 pupils attending them, and one in five secondary schools gaining GM status, the GM sector is undoubtedly a principal player in education.

The good news is that parents have been voting with their feet and sending their children to grant-maintained schools. The bad news is that, too often, a dirty fight has ensued when a school has chosen to go grant-maintained. I do not object to a battle in which people put forward the arguments, but I object to battles in which Labour party members in particular employ a series of scare tactics and untrue statements.

There have been a great many examples of such battles—there were two in my constituency which were not particularly horrendous, but which I found very disquieting, as did the parents involved. The first example arose when a Catholic school decided to ballot for grant-maintained status, and a Labour politician went round telling the parents that GM status was against their religion. That is the sort of statement that one should not make to a Catholic.

Mr. Peter Atkinson (Hexham): I congratulate my hon. Friend on the honour that has been bestowed upon her. Did she notice that the Annunciator said that she was Dame J. Knight?

Mrs. Knight: Since I am not wearing my glasses this morning, could my hon. Friend tell me whether it is now correct?

Mr. Atkinson *indicated assent.*

Mrs. Knight: Thank you very much.

The second example in my constituency occurred when two schools in Long Eaton decided to ballot for grant-maintained status. There was a ferocious anti-grant-maintained campaign run by a lady who described herself as "just a concerned parent". She called her campaign SOLES: Save Our Long Eaton Schools—from what, I have no idea. Misinformation abounded; those who were in favour felt themselves unable to put their heads above the parapet, and the ballots were lost.

Only a few months later, that so-called concerned parent turned up as a Labour party activist, then a Labour councillor and then on the shortlist for selection as the Labour party candidate in Erewash for the next general election. What was wrong with her declaring her credentials in the first place? If she had wanted a clean fight, she could have had it. She fought a dirty campaign to sway parents. It was misleading, misinformed and wrong.

Those two examples, although minor, have been mirrored across the country. The real purpose of a school becoming self-governing is to enhance its ability to serve the people who really matter: the pupils. A school may serve its pupils by having control over all its budget, and using it in the interests of the children and the school.

As the head of Shennington primary school in Oxfordshire—a recent opt-out—said:

"If a school does decide to become GM the reason should not be money. A school should do it for the freedom because it wants complete control".

That is quite right. Interestingly, when the head of Baverstock school—an early opt-out—was recently interviewed, he said:

"We quickly discovered by handling our own budget, which came direct from Whitehall, we could buy materials and fuel at up to half the price that the council could supply them. Today we have . . . brand-new classrooms . . . And instead of having to cut teachers we actually have more staff than the local authority would have allowed."

By having entire control of their budgets, GM schools have achieved such good results, yet too many Opposition Members have overtly and covertly campaigned against GM status.

Mr. David Jamieson (Plymouth, Devonport): Does the hon. Lady agree that some of the schools which opted out early on have been able to provide some extra staff and some extra facilities because of double funding, which was opposed by the Public Accounts Committee two years ago? Is it not true that £1 extra for a grant-maintained school is £1 less for a local education authority school?

Mrs. Knight: The hon. Gentleman and his friends have tramped that argument all over the place for many years. If it is true, why does he not go home and tell all the schools in his constituency to opt out? If he alleges that GM schools get more money, in their best interests he should tell all schools to opt out and obtain that extra money. I also urge the hon. Gentleman to look at a more general survey of teachers, which was conducted in the past few months.

Three quarters of teachers in GM schools said that their class sizes had not increased, whereas the majority of teachers in LEA schools said that they had. Of those in grant-maintained schools, 90 per cent. said that in-service training was good and special needs provision had improved. An overwhelming majority did not want grant-maintained schools to be abolished. That is a very important survey, revealing interesting results.

There is great interest in GM status: it is a big issue, and grant-maintained schools deserve a secure future. I suggest three ways in which to help secure their future, which I hope that my hon. Friend the Under-Secretary of State for Schools will take on board.

First, the grant-maintained schools need to know that there is no possibility of local education authority control returning. They need financial security for the future, and

[Mrs. Knight]

they need to plan for more than one year ahead. They need to have an assurance that their budget will no longer be fixed by the LEA's decision about its schools budget. The common funding formula addresses that point to a certain extent, but there are areas that do not have a common funding formula, as the trigger threshold has not been reached.

Mr. Patrick McLoughlin (West Derbyshire): I fully support what my hon. Friend has just said. Does she agree that one of the strange ironies of grant-maintained schools is that, although they have become grant-maintained to be free of local education authority control, their funding is, unfortunately, still in some ways controlled by local education authorities, whose interests are not in the grant-maintained sector?

Mrs. Knight: I agree entirely. What is happening with too many schools is that the global purse strings are still held by the LEA—the organisation from which the school has opted out. That is an anomaly which I should like to see addressed.

The second area that needs further consideration is more general. There are considerable differences in the amounts spent per pupil in different areas. We all accept that differences arise, but in some instances, the differences are worryingly large. One reason, of which I and my hon. Friends who represent Derbyshire constituencies are aware, is the way in which the LEA decides to allocate its money.

From the latest figures I have obtained from the House of Commons Library, it is clear not only that Derbyshire allocates less than the average of its education budget to the general schools budget, but that the authority is one of the worst delegators in the country in terms of money diminishing as it filters down through the potential schools budget to the aggregate schools budget. Yet it is the aggregate schools budget that equates with the money that gets into the classroom.

Let us take three similar counties in terms of standard spending assessments: Derbyshire, Suffolk and North Yorkshire. One finds that, in terms of the aggregate school budget per pupil, Derbyshire gives £200 less than the other two counties. That means that the authority is not getting money where it is needed—in the classroom.

An aspect over which authorities have no control is the area cost adjustment. As a result of the ACA, about £100 more per primary school pupil and about £200 more per secondary school pupil is aggregated into the SSAs of the 12 south-eastern counties. Although extra costs are recognised, those large sums, distributed on an all-or-nothing basis, are difficult to justify.

There is merit in ensuring that future area cost adjustments do not have those large discrepancies. I also believe that there is merit in looking at a common funding formula for all schools in the country. Those points are easy to make, but the difficulty is getting from A to B. I ask my hon. Friend the Minister, however, to look at my suggestions.

Mr. Nigel Spearing (Newham, South): On the area cost adjustment, does the hon. Lady realise that the discrepancy is as great or even greater for maintained schools in local authorities? There is a difference of several hundred pounds between the per head expenditure in primary and secondary schools of Newham and Tower Hamlets, both very needy east London boroughs, because of the arbitrariness of the current ACA formula. Does the hon. Lady realise that funding for nursery schools, of which the SSA does not take proper account, automatically reduces the per capita amount for locally managed schools? There are lots of things wrong with the present formula.

Mrs. Knight: To a certain extent, I agree with the hon. Gentleman. Clearly, I cannot talk about the situation in London, because Erewash is not a London constituency. However, I point out to the hon. Gentleman that the SSAs are made up of a series of hugely complicated items. That is why I would like there to be a common funding formula for all schools which would be easy to understand. I would like to ensure that the schools get more money than they do at present, and that far less money is held back as, sadly, is the case with too many LEAs.

The third way in which to secure the future of grant-maintained schools is better use of the private finance initiative. "PFI" is not a particularly sexy-sounding trio of letters, but it is an initiative that can be useful to grant-maintained schools. It means that they do not have to wait for public money to carry out the repairs or to build the extensions they need; they can do such work much earlier. We all recognise that many school buildings that were thrown up in the 1960s are in a sorry state of repair.

I ask my hon. Friend the Minister to look again at the PFI. At present, the rules are complicated and the procedures are not very clear to anyone. They have only just been circulated to governing bodies.

Ockbrook Redhill, a school in my constituency, spent considerable time and effort trying to determine whether its proposals were acceptable in principle under the PFI scheme, and on getting the nooks and crannies right. For the PFI to be a useable option, the rules need to be simple, understandable, easy to get going and quick; those are the essential ingredients for a scheme that will be an extremely important route for grant-maintained schools. I should like my hon. Friend the Minister to look at those three points, which would improve and secure the future of grant-maintained schools.

The possibility of an insecure future lies elsewhere. In December, the hon. Member for Sheffield, Brightside (Mr. Blunkett), the shadow Secretary of State for Education, wrote a secret letter to Labour Members. It began, "Dear Colleague", and was headed, "Urgent—GM Schools". It was the sort of message that one gets in Hergé's "Adventures of Tintin", which my children watch avidly on television. The letter continued:

> "We are opposed to schools opting out and remain committed to the white paper pledge to bring such schools back . . . I thought it would be helpful for you to know that there has been no change of policy in relation to events in the last few days."

After 200 days had passed, lo and behold, there were considerable changes to the policy. What else did the hon. Member for Brightside say in December? He said:

> "There is no plan to have a paper on GM schools, nor is there any intention that GM status should continue."

Let us see what happened.

A Labour party policy document turned up, warmly entitled "Diversity and Excellence—a New Partnership for Schools". It talks about grant-maintained schools on just about every page. I understand the Labour party's

problem, because, when the Leader of the Opposition chose to send his son to a grant-maintained school, as did one or two of his colleagues, he not only pulled the rug out from underneath the shadow Secretary of State for Education and 90 per cent. of the parliamentary party, but took the floor away.

The party was left with two questions which it had to answer. The first was how to reconcile the irreconcilable in a new policy document, and the second was how to pass off the new policy as both changed and unchanged. That is probably why the Labour party has had more changes of mind on its education policy than there are steps in the hokey-cokey; I doubt whether it has finished that dance yet.

So we have this document, "Diversity and Excellence—A New Partnership for Schools", which has been referred to as

"the sort of soft-sell slogan that possesses all the meaningless charm of a detergent commercial."

I wish that I had thought of that myself. In fact, the person who wrote those words was the right hon. Member for Birmingham, Sparkbrook (Mr. Hattersley), the former deputy leader of the Labour party.

In December, this document was not going to happen. Although it was not going to mention grant-maintained schools, it in fact uses the words "grant-maintained" on just about every page.

When the document is not talking about grant-maintained schools, it is talking about fairness—fair this, fair that, fair funding, fairness to parents and fair admissions. Presumably all the teachers will be instructed to mark "fair" against every entry in pupils' reports. When the word "fair" is used as extensively as it is in that document, there is more than a fair chance that it is covering up more than its fair share of rubbish. It is worth examining Labour policy a bit more closely, and for real.

Independent grant-maintained schools are not compelled to have politicians on their governing bodies, but the Labour party would force them to include two councillors. We can all imagine which two would be chosen. Secondly, grant-maintained schools receive resources directly from the Funding Agency for Schools, which is also independent. The Labour party would abolish that. In view of the amount of money now being held back from schools by local education authorities, how much would the schools get if the money for grant-maintained schools were directed no longer through the independent funding agency but through LEAs? A lot less than they do now.

The document then says:

"We will set a new national target of 90 per cent. of the school's budget to be delegated from LEAs to the schools".

If that is what the Labour party believes, why does it not ring up all its Labour-controlled local education authorities now, and tell them to delegate 90 per cent. of the education money to schools tomorrow? The Labour party has not done that, and its real policy has been to hold back as much money as possible in LEAs, not to give it out to schools.

Even if 90 per cent. of the money went to schools, that would mean that a secondary school with a budget of £1.5 million would have £150,000 taken away, and a primary school with a budget of £200,000 would have £20,000 taken away. Teachers would have to be taken out of those schools. That is what the Labour policy really means when one translates it out of the fudge in which it is written.

The Labour party would also interfere in the way in which schools are run. Independent grant-maintained schools are now allowed to apply to the Secretary of State for permission if they wish to expand, but Labour would make them apply to their LEA. That would mean that a popular school would not be allowed to expand. We should return to the same fudge that happened when popular schools were penalised in an attempt to force parents to send their children to schools to which they did not want to send them.

The language in the document is different from what we have seen before; it is a fudged language that has shimmied around one or two edges to please the Islington chatterati. None the less, the document is as great a threat to grant-maintained schools as any previous Labour proposal.

The debate is about grant-maintained schools, but I emphasise the fact that, whether schools are grant-maintained, voluntary, run by the local education authority or independent, they are equally important, equally valued and equally distinctive in their own way. I always hope one day to see the return of direct grant schools, in which I was educated as a child, which were abolished when the Labour party was in control. All types of schools are important, and in the programme of education reform, the watchword must be stability.

We must continually ask what schools, teachers and parents want. Parents want high standards. They want to get the best out of their children. They want good English, good grammar and a decent grounding in maths, and they want their children to know their historical and geographical place in the world. That is easy to say but hard to produce, but we are currently achieving it.

A survey of 500 grant-maintained schools whose results were published recently in *The Times Educational Supplement* showed that the huge majority of schools were in no doubt about the advantages of going grant maintained. Ninety-two per cent. had appointed more staff, a similar percentage had increased spending on books and equipment, and they were achieving consistently good exam results and attendance rates. That is what parents are looking for.

Mr. Don Foster (Bath): The hon. Lady has just listed all the advantages of grant-maintained schools. Can she tell the House whether there is any hard evidence that, as a result of those advantages, standards have been levered up?

Mrs. Knight: In 1993, 41 per cent. of 15-year-olds in grant-maintained comprehensive schools achieved five or more GCSEs at grades A to C compared with 36 per cent. in LEA-controlled schools. So schools in the grant-maintained sector are producing better grades for pupils than were achieved under LEAs. *[Interruption.]* Whether Opposition Members like it or not, that is the case.

Ms Estelle Morris (Birmingham, Yardley): The hon. Member for Bath (Mr. Foster) asked whether the schools had improved, given the extra funding that they gain from their grant-maintained status. It is no good giving us raw figures for examination passes. The hon. Member for Bath is right; there is no evidence that standards have improved. That is the key question, given the amount of resources that have been put into those schools.

Mrs. Knight: I appreciate that nothing will convince the hon. Lady and her hon. Friends, because of their constant hostility to grant-maintained schools. In fact, I have not heard her express any genuine interest in standards.

[Mrs. Knight]

Parents want their children to be taught well, and to get good grades in their examinations and a good start in the world. In practice, they are voting with their feet and sending their children to grant-maintained schools because they know that that is what they will get. There are now 1.3 million parents with children in grant-maintained schools. Those schools are popular with parents, and they are here to stay. We need to recognise that and to secure their future—and we need to abolish proposals such as those of the Labour party.

10.26 am

Mr. David Jamieson (Plymouth, Devonport): The speech by the hon. Member for Erewash (Mrs. Knight) was interesting, but packed with inaccuracies and false statements. The fundamental flaw in Conservative policy in recent years has been its concentration on the education of the few rather than of the many. Over many years in this country, we have been successful in educating very well indeed the brightest and the best, but we have failed to educate those in the next group down. We have failed to educate the mass of the people to high standards.

Grant-maintained schools were created to destroy local education authorities. Throughout the 1980s and 1990s, the debate has been peppered with denigration of the work of LEAs and of locally elected councils in general. The former Secretary of State for Education, the right hon. Member for Oxford, West and Abingdon (Mr. Patten), lost no opportunity to attack local education authorities throughout the country.

As the Conservatives have lost more and more seats on local councils, until they have only a tiny rump of councillors left, their desperation has increased to grasp back control of schools. Essentially, grant-maintained status has nationalised schools and put them under state control.

The hon. Member for Erewash and I served on the Standing Committee on the Education Act 1993—for nearly 180 hours, I believe. At every stage, nearly every clause gave the Secretary of State for Education more and more direct powers over grant-maintained schools, so they are no longer locally accountable.

Grant-maintained schools join other failed enterprises such as city technology colleges, which were supposed to spread across the country raising standards. We have seen what has happened to many of them. One, in Birmingham, had lower standards in technology, mathematics and science than the local comprehensive school.

So much for jacking up standards. We heard in a debate the other day that just 32,000 pupils were involved in the assisted places scheme, but they received twice as much funding as children in LEA schools.

The Parliamentary Under-Secretary of State for Schools (Mr. Robin Squire): I intervene briefly, as I suspect that discussion of city technology colleges at great length would be rightly ruled out of order by you, Madam Speaker. The hon. Gentleman makes his point in the shadow of last week's announcement that we have reached 100 schools which are either CTCs or technology colleges, the latter being built substantially upon the success of CTCs.

Mr. Jamieson: The Minister has not answered the question. I made the point that the 15 CTCs have had highly preferable funding, yet have not proved that that funding has led to improved standards in the schools. Perhaps the Minister can give evidence later that standards have increased as a result of the extra funding that CTCs have received.

I have no argument with the teachers, parents or pupils in grant-maintained schools, but the system is failing. There are three main areas where I object to grant-maintained schools. First, the early opt-outs received considerable extra funding. The hon. Member for Erewash glossed over the point I put to her in an intervention, and did not answer it. If she looks at the 9 June edition of *The Times Educational Supplement*, she will see the headline "MPs defied over £40m bonus for GM schools".

If the hon. Lady reads the Public Accounts Committee report published on 19 January 1994, she will see that the Committee recommended that the Department for Education progressively withdrew from existing grant-maintained schools the excess funding of central services, with a view to that funding being removed completely within two years. An all-party report made that recommendation, which is being totally ignored by the Government. They say that they may rule out the double funding by 1999.

Mr. Robin Squire *indicated dissent.*

Mr. Jamieson: The Minister shakes his head, as if to say that the Government will not rule out the double funding at all.

A small primary school in Tower Hamlets has found that it receives £200,000 extra funding because it is grant-maintained. My point is that every pound extra received by a grant-maintained school is a pound that is not received by a LEA school. The hon. Lady made the point that grant-maintained schools have kept their class sizes as they were, while class sizes had increased in LEA schools. I am glad that she accepts that class sizes have increased in LEA schools, but that must be because funding is being withdrawn from the LEA schools and put into grant-maintained schools.

On capital, the hon. Lady may want to refer to evidence received by the Department for Education on the capital funding of grant-maintained schools. The figures clearly show that, two years ago, grant-maintained schools were receiving three times as much per pupil in capital spending as LEA schools. That extra funding is just a cheap political bribe. Schools and parents do not want to opt out. The hon. Lady failed to tell the House how few schools had opted out last year, or that the majority of ballots were now resulting in no votes. Some ballots in my county are producing a very substantial no vote.

My second objection to grant-maintained status was touched on by the hon. Lady, who said that grant-maintained schools had far more control over their own affairs. I have no problem with schools having internal control of the running of their day-to-day business. That is right and proper, and I have always said in the Chamber that I support the local management of schools. Such local management has given autonomy to individual schools.

A self-perpetuating coterie of governors that has formed in grant-maintained schools has the power of decision-making about the admissions policy of schools. We have discovered in parts of London and in other parts of the country that admissions policies arranged by governing bodies sometimes deny local children—who

live in what used to be the catchment area of a school—a place in that school. The decisions are being made solely by the governors of the school. It is not right that a small unelected group is able to make that decision.

Mr. Squire: I am trying not to interrupt the hon. Gentleman's flow, but this is an opportunity to correct two of the misstatements that he is making. First, 66 per cent. of ballots on grant-maintained status this year have recorded yes votes, so one of his statements has been shot down in flames. Secondly—as he well knows—every admissions policy that is proposed by grant-maintained schools must be approved by my right hon. Friend the Secretary of State. It is simply not the case that grant-maintained schools can change their admission policies willy-nilly.

Mr. Jamieson: I am pleased that the Minister has confirmed my earlier point that admissions policies are in the hands of the governors, and can only be ratified by the Secretary of State for Education. Local people who have been elected to sit on councils have no say in the policy at all. The governing bodies make a decision that is rubber-stamped by the Secretary of State. In other words, we have a quasi-nationalised education admissions policy.

Mr. Spearing: These debates allow a constructive shooting match to take place. Does my hon. Friend agree that a fundamental flaw in the grant-maintained system is that schools are not seen as possessions of the community, area or town they serve, but only of the parents or potential parents of the day? Do not such schools reflect the divisive education structure that this country tried to get rid of in the middle of the last century, and reflect also the aspirations, social background and financial resources of different groups within society?

Mr. Jamieson: That is exactly my point. The school ceases to be the property of the local community, and becomes the property of an individual governing body that will serve its own interests. That is the total antithesis of the choice which the hon. Lady and so many Government Front-Bench Members talk about. What is happening in many grant-maintained schools is that the school is choosing the pupils rather than the pupils choosing the school.

I turn now to my third main objection. The hon. Lady is wrong to say that the money provided to the Funding Agency for Schools is coming out of LEA budgets. The money is moving in a circle, from the LEA to the Funding Agency for Schools—a quango in York—and back to the grant-maintained schools. As most of that money is raised locally, it should be accountable locally through the councils.

The money moving in the circle through the LEAs and the agency and back to the schools is producing another layer of bureaucracy and wasteful inefficiency into the system. The Funding Agency for Schools alone is costing £11 million to run. That £11 million is not going to schools to provide more books, teachers or services, but is providing jobs for people shuffling paper in York.

Those are my objections to grant-maintained schools. There is no upsurge of desire in this country for schools to become grant-maintained, and parents are now deciding to stay with LEAs. Later today, a report by the Education Select Committee will be published which raises many important issues to do with the important role of LEAs in the running of schools.

I noticed that the hon. Member for Erewash mentioned LEAs only in a derisory manner. She attacked her own LEA, even though it is running the schools and the education system for children in her constituency. If she looks at that report, she will see that Members of Parliament have recognised, on a cross-party basis, that local authorities have a powerful role to play in running schools, and that they are needed to ensure accountability and the success of our schools.

The hon. Member for Erewash failed to say what would happen should a grant-maintained school start to spiral downwards and fail. That has manifestly happened to some of them, just as it has to certain local education authority schools. In the case of such schools, the LEA steps in to provide assistance. In the most extreme circumstances, it can send in an education association—that weapon has not yet been used by the Department for Education.

What happens when things go wrong in a grant-maintained school? Who will oversee the education of those children when the governors degenerate into a squabbling mass, like those at the school in Stratford? In such circumstances, the school is referred back to the Secretary of State for Education. There is no local accountability, and no local body able to provide assistance.

This useful debate, albeit a brief one, has enabled me to set out my views on grant-maintained schools and why I oppose them. My party will continue to advocate changes to them, which are designed to deliver fair funding and proper accountability.

10.40 am

Mr. Patrick McLoughlin (West Derbyshire): I congratulate my hon. Friend the Member for Erewash (Mrs. Knight) on securing this important debate. It has exposed the fallacy that somehow the Labour party has changed its mind on grant-maintained schools.

I wish that the Labour party could be consistent. The hon. Member for City of Durham (Mr. Steinberg) served with me on the Committee considering the Education Reform Act 1988, which set up grant-maintained schools. The current shadow Home Secretary was then Opposition spokesman on education, and I was left in no doubt about his vehement opposition to grant-maintained schools.

The right hon. Member for Yeovil (Mr. Ashdown) was then the education spokesman for the Liberal party. His venom against such schools was plain for all to see, and was expressed in speeches that were officially recorded. I note that the hon. Member for Bath (Mr. Foster) is nodding his head, so I assume that that venom against grant-maintained schools is still apparent in the Liberal party.

I support the concept of grant-maintained schools, because it has offered diversity of choice in state education. Those who are wealthy are able to send their children to the private school of their choice. Before the introduction of grant-maintained schools, those without such wealth had to leave that choice to the local education authority, which directed where children should be sent. There was no choice in the state system, because it lay with the LEA.

My one great pleasure is that the grant-maintained system has introduced diversity of choice to the state education system. That should be embraced and

[Mr. Patrick McLoughlin]

welcomed. The Labour party may argue that fewer schools are opting to become grant-maintained. I do not believe that the figures prove that, but should that be so, I am sure it is due to schools' uncertainty about the future.

Schools are unclear whether the Labour party will follow its leader, who has taken advantage of the grant-maintained system. I suppose he is one of those middle-class people about whom the hon. Member for Sheffield, Brightside (Mr. Blunkett) used to talk so much. Certainly, if my wife was a leading barrister, I might be even be middle-class.

Although the grant-maintained system has delivered essential diversity of choice, it is high time we introduced a national funding formula for education, because far too much confusion is caused by the different amounts of money held by education authorities and their various expenditure. It has taken me some time to obtain a breakdown of the relevant figures, but they are revealing.

For example, according to its 1994-95 central budget, Staffordshire, which has a total pupil number of 159,000, spent £2,975,000 on management. Derbyshire, with 84,000 pupils, spent £3,787,000 on management. That is a great difference.

I recently tabled a question

"To ask the Secretary of State for Education if she will list in ascending order the difference between income and expenditure for school meal services for all counties over the last seven years."—[*Official Report*, 7 June 1995; Vol. 261, c. *208*.]

I was surprised by the answer from my hon. Friend the Under-Secretary of State for Schools. It revealed that Derbyshire county council had spent £115 million on subsiding school meals, whereas Lancashire, the next closest on the table provided, had spent £94 million—a £20 million difference. Those differences become more apparent when one considers that Lincolnshire, a Conservative-controlled council, spent just £11 million in those seven years on subsidising school meals.

I do not mind that local education authorities should be able to decide to spend that money, but that expenditure should be open to scrutiny. If an authority is spending money on subsidising school meals, it is clear that it is not available to be spent on other education services. The expenditure may be simple and straightforward, but too many of the relevant figures are hidden, and the purpose of that expenditure is not easily identified.

Mr. Peter Kilfoyle (Liverpool, Walton): The hon. Gentleman will recall from a previous debate that, for 9 per cent. of children, the only hot meal they get in the course of a day is the subsidised school dinner provided by local education authorities. Is he suggesting that needy children should be deprived of that hot meal, which they would otherwise not get?

Mr. McLoughlin: No. I am not suggesting anything, I am simply revealing figures and facts—Lincolnshire spent £11 million on subsidising school meals, whereas Derbyshire spent £115 million. I accept that a comparison between Lincolnshire and Derbyshire is not a good one, but it is worth comparing Staffordshire and Derbyshire, which are roughly the same size.

In those seven years, Staffordshire spent £47 million on subsidising school meals, which is still £60 million short of that spent by Derbyshire. The hon. Member for Liverpool, Walton (Mr. Kilfoyle) must accept that a lot could be done with that £60 million. I accept that education authorities decide what they want to spend their money on. The county breakdown and the differentials revealed by my hon. Friend's answer were, however, extremely interesting.

The other great benefit of grant-maintained schools—I plead with the Opposition to think carefully about it—is that they have made LEAs act more responsibly, because there is now an alternative available to parents. When I entered the House in 1986, the sixth form of Ecclesbourne school, in my constituency, was under threat of closure, because the LEA wanted to close all sixth forms in the centre of Derby and replace them with a tertiary system of education.

The school launched a massive campaign to save its sixth form, which was supported by all the parents. The LEA's proposal was sent to the Secretary of State for consideration. After a very vigorous campaign, I am glad to say that the Secretary of State rejected the proposal to close the sixth form.

I attended a public meeting at Ecclesbourne school at which one governor said, "I believe that the school should keep its sixth form, but because I am a socialist—and the county council's socialist—I must do what the county council wants me to do". County councils and local education authorities can no longer impose their views upon schools quite so easily, because schools now have an alternative.

I turn to the suggestion that somehow grant-maintained schools are unaccountable. A sad but true fact is that the voter turnout at local government elections averages about 40 per cent. The voter turnout when a school ballots to become grant-maintained is usually more than 70 or 80 per cent. Parents who are involved in the school and in the community want to ensure that there is a good grant-maintained schools system in place for their children.

Mr. Gerry Steinberg (City of Durham): Does the hon. Gentleman think that it is democratic that parents can vote to take a school out of the local education system and into the grant-maintained system for ever? Under the present rules, there is no way that a school can ballot to re-enter the local education system. The hon. Gentleman is saying that parents who send their children to a primary feeder school will have no choice whatsoever about whether their children should attend a grant-maintained school. They have no option because that decision has been taken for them. Is that accountability?

Mr. McLoughlin: I am grateful to the hon. Gentleman. We spent many long hours taking the legislation through Committee when my right hon. Friend the Member for Mole Valley (Mr. Baker) was Secretary of State for Education. The hon. Gentleman misses the point entirely. If he had his way, parents would have no choice at all. They would be forced to send their children to LEA schools, and the local education authority would determine the admissions policy, irrespective of parents' wishes.

Parents now have a choice. If they do not wish to send their children to grant-maintained schools, they do not have to do so. Parents can be certain that grant-maintained schools will remain, and that we will continue to have the diversity and choice in the state education system that I have talked about and believe in passionately only by ensuring that the party in government supports the grant-maintained policy.

Unlike Labour Members, the Conservatives do not mouth one thing and then another because a senior party member chooses to take advantage of the grant-maintained system. I will give way to the hon. Gentleman once more, but I am conscious that time is short.

Mr. Steinberg: I wish that the hon. Gentleman would be honest with the House and with the country. The majority of parents, whether they send their children to grant-maintained or local education authority schools, have absolutely no choice in the matter. The majority of schools choose the children who attend those schools. Parents who live in certain catchment areas have no choice but to send their children to the nearest school. It is the schools and the local education authorities which allow parents to send their children to those schools. It is a misnomer to say that parents have any choice; they do not. Will the hon. Gentleman please be honest with the House and with the country?

Mr. McLoughlin: If the hon. Gentleman does not believe that choice exists, he should take up the matter with the Leader of the Opposition, who has exercised that choice, as have a good many Members on the Labour Front Bench. The Labour party is displaying grand hypocrisy on the issue. I have asked questions about grant-maintained schools in the past.

Mr. Don Foster: Will the hon. Gentleman give way?

Mr. McLoughlin: I will not give way, as time is short. The number of admissions to grant-maintained schools has increased. Schools that were threatened with closure by local education authorities have gone grant-maintained, and they have flourished. They are run by the local community, and they are part of the local community. They provide a diversity of choice in education.

The Labour party would offer a choice only to those people who could afford to go to the private system. The Government believe that every parent should be able to choose what kind of school their children will attend. There is a choice in the state system: between the local education authority schools and those that are independently grant-maintained but part of the state education system.

Mr. Kilfoyle: Will the hon. Gentleman give way?

Mr. McLoughlin: Time is short, or I would give way willingly—although the hon. Gentleman has a bad record for giving way when he is at the Dispatch Box.

That is why I am passionately committed to grant-maintained schools, the grant-maintained sector and the state education sector. The element of choice that we have introduced into the education system has also brought many of the loony local education authorities under control. Before we introduced the grant-maintained system, schools had no escape route; they had nowhere to go. Schools now have an alternative to being run by local education authorities; as a consequence, those authorities have become more responsible. All hon. Members should welcome that development.

10.56 am

Mr. Don Foster (Bath): I begin by congratulating the hon. Member for Erewash (Mrs. Knight) on securing the debate. Perhaps somewhat surprisingly, I agreed entirely with one or two of her remarks, to which I shall return in a moment.

Of course, I disagreed entirely with a number of her comments—not least the paeans of praise that she heaped upon the grant-maintained schools sector. She seemed to suggest that the Government's grant-maintained policy has proved a tremendous success. However, anyone who has examined the figures will know only too well that it has not been a success—indeed, it is an ailing policy that has failed almost completely.

Towards the end of her remarks, the hon. Lady referred to the 1.3 million parents whose children attend grant-maintained schools. She failed to point out that fewer than 50 per cent. of those parents voted in favour of grant-maintained status. It is worth recording that only 500,000 people in this country voted for grant-maintained status, and that very few people are currently voting for grant-maintained status. The number of ballots for grant-maintained status has declined markedly, and the number of schools that opt out of the local education sector has also decreased significantly.

Ms Estelle Morris: Many parents did not vote to opt out in many local areas. In some schools that have been opted out for four or five years, none of the parents whose children currently attend the schools exercised their vote, because their children did not attend the schools at the time the ballot was taken. Is that not even more despicable than the figures cited by the hon. Gentleman?

Mr. Foster: The hon. Lady is absolutely correct. She also draws attention to the welcome remarks of the hon. Member for City of Durham (Mr. Steinberg), who pointed out that the grant-maintained system is not the system of democratic choice that the Government would have us believe.

It is perhaps worth recording the figures for opting out. From Easter 1994 to Easter this year, there have been only 48 secondary school ballots, and only 13 schools voted to go grant-maintained. That compares with 171 ballots in the previous year, when 107 schools voted to opt out. There has been a similar decline in the number of primary school ballots.

As the hon. Member for Plymouth, Devonport (Mr. Jamieson) said, the grant-maintained policy has failed, despite the many bribes that the Government have offered. The Government have promised to phase out double funding gradually, but it is interesting to note that, in the process, a number of grant-maintained schools will receive additional money this year for the first time. I suspect that many local education authority schools will be pleased with such phasing out, despite the various bribes in respect of capital funding.

Grant-maintained schools are a failed policy in terms of the number of people voting for it and its ability to lever up standards. The hon. Member for Erewash was unable to answer when I asked her whether, despite all the financial advantages that had been given to grant-maintained schools, there was any hard evidence that standards had been levered up. The Minister is now about to give us some figures.

Mr. Robin Squire: It would be invidious to run down a list of schools, but the hon. Gentleman will remember, as will the hon. Member for Birmingham, Yardley (Ms Morris), who is about to speak from the Labour Front Bench, that the evidence from Baverstock school—the solid accounts of achievement and its turnaround from a

[Mr. Robin Squire]

school that was failing in virtually every respect to what we now have—has been attributed by the head overwhelmingly to its grant-maintained status.

Mr. Foster: If the Minister can cite only one school, that is extremely worrying. We can swap school for school, and I could start talking about Stratford school, for example.

However, if we look at the base starting point for grant-maintained schools, taking into account the number of children with free school meals and the selective nature of many grant-maintained schools and we then look at the examination results, the SAT figures or anything else, we realise that there is no clear evidence that all that additional support—the uneven playing field provided for grant-maintained schools—has led to a levering up of standards.

The hon. Member for West Derbyshire (Mr. McLoughlin) said—I have forgotten his precise words—that Liberal Democrats totally hated grant-maintained schools. When I nodded to him, he implied that I accepted what he said. I should like to put it clearly on record that we dislike not the schools, but their grant-maintained status and the two-tier education system which has grown up because some schools have that status.

Mr. McLoughlin: As we understand there is a coming together between the Liberal party and the Labour party, would part of that be an undertaking to abolish the system of grant-maintained schools?

Mr. Foster: I was about to answer that point. Having criticised the two-tier system that grant-maintained schools have introduced, it is important that I make it absolutely clear where my party stands.

We have a simple policy. We would bring grant-maintained schools and city technology colleges back into a light-touch strategic planning framework of the LEA, which would be responsible for the fair allocation of resources, establishing the pupil admission procedure, sorting out such issues as special educational needs, and determining, for example, whether a school needs to close or a new school needs to open. The LEA would also be responsible for issues relating to quality monitoring and levering up standards, and would have a role to play in the arbitration of disputes. Individual schools would decide which LEA services they wished to provide.

We believe that all schools in Britain should be given maximum freedom to make decisions that affect their own day-to-day running. Our approach does not pander to old-style corporatist, centralist, domineering local education authorities; it is a system that frees up individual schools within a local, democratically accountable, strategic planning framework.

Ms Estelle Morris: Can the hon. Gentleman confirm that his party's policies would continue to allow some schools 100 per cent. delegated funding?

Mr. Foster: The hon. Lady uses 100 per cent., and her document uses 90 per cent. Those figures do not make sense without identifying the base line. We are saying that some money would be retained at the LEA level to fund the various functions that the LEA would carry out.

I agree with the hon. Member for Erewash about Labour party policy. At least the hon. Lady, the Minister and the hon. Member for West Derbyshire have a clear policy. They would like the continuation of grant-maintained status, and they have introduced legislation to force every school to consider it on an annual basis; and, if possible, they will continue to make as many arrangements as possible to help grant-maintained schools to become established.

My party is also clear about where it stands. We would bring grant-maintained schools back into a light-touch LEA strategic planning framework. The hon. Member for Erewash was absolutely right to point out that the Labour party now has a totally fudged policy that satisfies nobody. Despite all the efforts of its spin doctors, the Labour party is unable to convince schools in the grant-maintained sector that it is now being nicer to them; nor can it convince Labour activists, many of them with roots in local government, that Labour has not gone soft on grant-maintained schools.

The big anomaly in the Labour party's proposal is that, having totally opposed grant-maintained status and undertaken to bring those schools into the local strategic framework, Labour now says that schools that opted out will be allowed to continue their special status as foundation schools. They will have a different governing body and composition, and they will be able to retain access to their own assets by way of a trust. That makes nonsense of the ability of local education authorities to plan properly and strategically.

Mr. Kilfoyle: Will the hon. Gentleman give way?

Mr. Foster: I shall happily give way to hon. Member. I hope that, in the intervention that he is about to make, he will remind the House of what he said in the House on 9 December last year:

"One of the problems with GM schools is that they increasingly complicate the sort of strategic provision that needs to be made."—[*Official Report*, 9 December 1994; Vol. 251, c. 542.]

Will not the Labour party's latest fudge proposal make that strategic planning almost impossible?

Mr. Kilfoyle: It is obvious that the hon. Gentleman has not read the document in question. We made it absolutely clear that schools choose from the three categories that we have designated in our paper on the local democratic framework. The hon. Gentleman's final point concerned strategic planning and admissions policy. If he looks at appendix 3 of "Diversity and Excellence", he will see that it is carefully spelt out.

The hon. Gentleman made much play of underlining the clarity of the Government's view, particularly in terms of the 100 per cent. delegation that they would afford to grant-maintained schools, but he failed to address the question from my hon. Friend the Member for Birmingham, Yardley (Ms Morris) on the implications of the Liberal Democrat proposal, which in theory would allow every school to opt for 100 per cent. delegation of the ASB.

Mr. Foster: With respect, the hon. Gentleman is talking absolute nonsense. I have just explained that, if the LEA is carrying out some central functions, funds need to be retained to pay for them. That is clearly set out in our document.

The hon. Gentleman fails to recognise that his party is trying to put a precise, specific figure of 90 per cent. on it. That is nonsense, because the central services that are needed vary from one LEA to another. For example, the

costs of transport in a rural area differ from those in an urban area. The hon. Member cannot have it both ways, but that is what his document "Diversity and Excellence" tries to do.

The hon. Gentleman was as critical as I was when the Government brought out their document "Choice and Diversity". We used to jokingly call it, "Chaos and Confusion". I believe that the Labour party's document is "Chaos and Confusion—the sequel".

11.9 am

Ms Estelle Morris (Birmingham, Yardley): The Opposition welcome the chance to debate what has often been called a Government flagship policy. This has been an interesting opportunity to try to shed some light on why that flagship policy has gone so badly wrong.

It was the former Secretary of State for Education who said, on Second Reading of the 1993 Education Bill, that he was setting

"in place a new framework for primary and secondary schools that will endure well into the next century."—[*Official Report*, 9 November 1992; Vol. 213, c. 627.]

He went on to predict that, by April of last year, there would be 1,500 grant-maintained schools. He could not have been more wrong. Seven years after GM status was introduced, only 5.6 per cent. of all schools have chosen to go that way. Only 16 schools in Wales have GM status, and 28 local authorities throughout England and Wales still have no GM schools at all. No one—not even the most optimistic Government supporter—can possibly claim that, numerically speaking, the policy has been a success.

The hon. Member for Erewash (Mrs. Knight) has a cheek to come to this House and try to give us the impression that schools are still queuing up to opt out. Every prediction made by the Government has proved false; every target that they have set for GM opt-outs has been missed.

We could just dismiss GM status as a failed policy, had the consequences and costs for all schools and for all pupils not been so serious. In its first year of operation, £11 million was spent by the Funding Agency for Schools; 261 officials administer GM schools from York; 77 more officials help to administer GM schools from Sanctuary Buildings. Almost £1 million—£800,000 in fact—has been spent on the Grant-Maintained Schools Foundation.

All this amounts to millions of pounds spent, not on reducing class sizes or on putting more equipment and resources into schools, not on the £4 billion school buildings maintenance backlog, but on administering a bureaucracy that merely duplicates the work being done by local education authorities.

Wasteful though that is, what people find most offensive about the financial aspect of GM schools is the way in which schools that do not choose GM status are deliberately discriminated against. Why should not children attending schools whose governing bodies and parents have decided to stay in partnership with local authorities get the same funding? It is not just the £25 million that has been lost to locally maintained schools through double funding: it is the 2.7 times more spent on capital projects in GM schools which causes such harm.

It is all very well for the hon. Member for Erewash to say that schools which want the money can just opt out, whereupon they will be given it. The hon. Lady is parliamentary private secretary to the Chancellor of the Exchequer—

Mr. Robin Squire: As of this moment.

Ms Morris: Indeed. Still, I wonder what he would say if he knew that the hon. Lady wants every school in the country to opt out so as to get additional resources. That would mean that the national pot of money spent on education would have to grow—but it has never done that under this Government. As more GM schools have come into existence, the amount of extra money given to them has steadily decreased. If all schools opted out, they would, of course, not be funded at the enhanced rate given to the first opt-out schools.

Mr. McLoughlin: The fact is that the amount of money spent on education has substantially increased under this Government. The reductions took place between 1974 and 1979. The figures since then show a steady, consistent increase on the money spent on education.

Ms Morris: Why does no one believe the hon. Gentleman? Why do parents not believe him? Because their children are in classes with more than 30 pupils. Why do teachers not believe him? Because they are being asked to do their job without the necessary resources. The hon. Gentleman might believe what he says, but he and his colleagues are probably the last people left in the country who think that way.

What sort of message does the Minister think he is sending to children and parents when he seems to value one child, in financial terms, more than he does another? No one except the Government—not parents associations, not local authority associations, not, to their great credit, even GM schools themselves—continues to defend this sort of inequity of funding. As our Public Accounts Committee said, it is unacceptable.

Unacceptable though the financial arrangements for GM schools are, the greatest damage is the damage that has been done to the local partnerships in which schools operate. The whole GM notion was based on the belief that schools and parents shared Tory Ministers' dislike of locally elected education authorities. On Second Reading of the 1993 Education Bill, the then Under-Secretary of State found himself unable to make a single positive statement about local authorities. He showed no inkling of understanding of the good that local authorities can achieve.

What Conservative Ministers have never understood, but what parents and schools have always understood, is the fact that, to succeed, a school needs not just to compete but to co-operate. To succeed, it needs to share ideas. It needs to learn from others. To succeed, it needs quality information about its performance and its targets. It must pool its resources so that important areas such as special needs, music and sport can flourish.

Schools, in short, do not exist as separate competing units. They need strong, stable local partnerships, and good local education authorities can provide them.

Mrs. Angela Knight: As the hon. Lady is so obviously against GM schools and in favour of LEA schools, will she urge her leader to send his son to an LEA school instead of a GM one?

Ms Morris: I am not against GM schools: I am in favour of all schools that raise standards for their children. I am not here to criticise schools, teachers or pupils. I welcome high standards in every school, no matter what

[Ms Morris]

its status. Parents base their decision about where to send their children on a number of aspects. The leader of my party would have sent his child to the school in question whether or not it had grant-maintained status.

The Government's whole approach has been divisive. It is no good Conservative Members such as the hon. Member for Erewash complaining about the alleged behaviour of some local councillors. I do not condone bad behaviour by councillors on either side of the political divide, but the Government have a lot of gall, given that Ministers have approached GM status in a way that meant that a divisive mess was bound to ensue. We warned the Government that their approach would lead to divisions and bitterness, but they took no notice.

The Government talk about choice, but they have failed to offer schools different but equally valued options. The Government have been so committed to the GM option that they have almost made enemies of those who did not follow in their wake.

Conservative Members of Parliament have campaigned hard on every opt-out ballot, so that they can come here and wear each new opt-out in their constituencies as a badge of pride. Time and again, they have stood up during education questions and asked Ministers whether they welcome the decision of a school in one of their constituencies to go grant-maintained. Certainly every Labour councillor has campaigned hard against GM status ballots, because not to do so would have threatened the status of other schools in their areas.

This is no way to run schools; but the legislation was framed in such a way that it was inevitable that these problems would follow. We have wasted valuable money, time and ideas talking about structures, when the real issue facing us is how to raise standards.

We must end the divisions and the turmoil of the past 15 years. Our task is to rebuild partnerships and restore trust. We can do that only if we move forward and stop looking back; if we listen and learn from what we hear; and if we seek change through consensus. That is what Labour does in its paper "Diversity and Excellence: a New Partnership for Schools".

It has been interesting today to see which side of the Tory divide Conservative Members put themselves on. Do they belong to the category who try to tell us that we have changed our minds on GM schools and will keep them? Or do they belong to that brand of Tory who tries to tell us that we, the Labour party, have it in for GM schools? Within three days, the Prime Minister has said one thing and the Secretary of State for Education another.

We shall offer schools a choice within a framework that strengthens crucial local partnerships. We shall ensure that funding is fair and open. Labour accountability will exist locally, to parents in the community, as well as nationally, to central Government. Parents will know that admission procedures will be fair, with no return to selection through the 11-plus. Above all, schools will know that they are responsible for managing themselves, and that local authorities are there to support them in raising standards.

A notion much favoured by Ministers is that local authorities control schools. That control vanished with the introduction of local management of schools. Schools control themselves, but local Labour education authorities throughout the country are showing a new role for LEAs that involves raising and monitoring standards and supporting schools in their vital task of improving the performance of their pupils.

Labour will root all schools in that locally accountable and supportive partnership. It will offer them the choice of being community, foundation or aided schools. We shall preserve the best of the changes, which is independence for schools. But we shall restore local accountability, which has been so badly damaged.

A debate about a failing Government policy has been useful, but we, the Opposition, look forward to our agenda, which will focus on success.

11.21 am

The Parliamentary Under-Secretary of State for Schools (Mr. Robin Squire): In the time available to me, I shall try to cover as many points as possible. The House will understand that I do not have a significant amount of time.

I begin by echoing the congratulations that have come from both sides of the House to my hon. Friend the Member for Erewash (Mrs. Knight) on the splendid way in which she opened the debate. It was a typically rumbustious speech. She was backed by my hon. Friend the Member for West Derbyshire (Mr. McLoughlin). My hon. Friends are a credit to their county. I listened with great interest to their contributions.

Inevitably, the debate has generated heat as well as light. That, perhaps, is scarcely surprising. Every one of our education reforms has aroused hostility within the Opposition parties. The grant-maintained initiative has probably ruffled more feathers than most others. The reason is simple. Opposition Members belatedly pay lip service to parental preference and to school diversity and autonomy, but they do not really believe in them. Yet putting these ideals into practice is precisely what self-government is all about.

Only six years ago, local authorities had a monopoly of state schooling. We do not need a PhD in economics to know that monopolies rarely serve the best interests of the consumer. The GM initiative broke that monopoly. It gave parents a high-quality alternative to local education authority schools within the state sector. It also gave parents a direct and decisive say in the future of their children's schools.

Five years ago, there were only 30 GM schools. There are now well over 1,000 in the primary, secondary and special sectors, and the number continues to grow. Incidentally, whenever a percentage is quoted by Opposition Members, they never tell us that, at secondary level, after only six years, one in five of all secondary school children is at a GM school. That is some progress.

Mr. Dennis Skinner (Bolsover): Not in Bolsover.

Mr. Squire: The hon. Gentleman says from a sedentary position—he kindly joined us nine minutes ago—"Not in Bolsover." That is Bolsover's loss.

There is no mystery about the rapid growth of the GM sector. It has taken place because self-government is good for schools, pupils and parents. In other words, it works. Self-government gives a school control of its total budget, not only the portion that is delegated by the LEA. Some of the additional funding is used to buy services that were previously provided free by the LEA.

But GM schools have freedom to shop around and get better value for money. That means that most GM schools have money left over to pay for additional staff, books and equipment. These are important practical benefits of GM status, which pupils, teachers and parents can see and feel. But there is much more to self-government than that.

As my hon. Friend the Member for Erewash said, self-government is about being in control of one's own destiny. It is about getting rid of dual controls and the back-seat driver. A self-governing school is free to preserve and develop its existing character. These freedoms, combined with total control of resources, give GM schools much greater responsibility to respond to the needs and aspirations of the communities that they serve. They do so without getting bogged down in the mire of LEA policies and procedures.

We know that GM schools are popular with parents. That echoes and enlarges what my hon. Friend the Member for Erewash said in response to an intervention. For three successive years, GM comprehensive schools have, on average, achieved better GCSE results than their LEA counterpart comprehensives. We know that GM primary schools achieved better results than LEA primary schools in last year's key stage 1 tests. So the GM sector is flourishing as well as growing. It is a clear example of a successful initiative that has attracted interest throughout the world.

I believe that, in due course, all maintained schools will be run on GM lines—indeed, not only maintained schools. The Education Act 1993 extended opportunities to independent promoters to propose the establishment of new GM schools. I am delighted to say that we have given approval in principle today to the first of such proposals, from St. Anselm's Roman Catholic college for boys and Upton Hall Roman Catholic convent school for girls, both in Wirral. They will be the first independent schools to come in from the new route. I look forward to welcoming them to the GM sector.

I shall deal briefly with Labour's plans. We did not hear too much about them from the hon. Member for Birmingham, Yardley (Ms Morris) when she summed up on behalf of the Opposition.

What is the Labour party's response to the success of GM? Anyone who read the press reports of a fortnight ago might well think that the Labour party is now supportive of the policy. The hon. Lady rightly confirms that, throughout the country, Labour councillors and Labour Members are opposing GM schools wherever there is a ballot, but she says that, in theory, they are supportive of GM schools. That is an interesting policy combination.

The detail behind the policy document tells a rather different story. Behind that public relations facade—the exciting talk about new relationships, partnership and trust—is a much duller reality. The Labour party proposes only three types of barely distinguishable state school. It assumes that most GM schools will become foundation schools. Some have seen this as a U-turn on the GM issue. In fact, it is nothing of the kind. Foundation schools would hold their own premises and employ their own staff, but voluntary aided schools do that now, and they are not self-governing.

The essence of self-government is a school's ability to control its total budget, and to manage its own development without LEA interference. Foundation schools would have neither of those characteristics. All three categories of school proposed by Labour—the hon. Member for Bath (Mr. Foster) highlighted this—would have up to 10 per cent. of their budget held back by the LEA. All three would have LEA representatives on their governing bodies. As my hon. Friend the Member for Erewash said, we can imagine the nature of one, if not both, of the councillors who would turn up on the governing bodies. At least one of them would be ideologically opposed to the schools' very existence.

All three types of school would have to negotiate their admission policies with the LEA. Again, all three would be subject to an LEA planning regime. So all three would, in slightly varying degrees, be LEA-controlled. Labour proposals for the GM sector boil down to the abolition of self-government.

Labour has invented the O-turn; an elaborate manoeuvre which leaves it facing in exactly the same direction as it has always faced. Labour's policy remains what it has always been: to return GM schools to LEA control. Although it is easy to accuse the Labour party of malice in this respect, its policy could even be the result of simple ignorance.

It is not too long ago that a Labour Member, whose name I shall protect, said during an informal discussion with my right hon. Friend the Secretary of State that he could not possibly support GM schools, because at heart he did not agree with fee paying. Is that the level of knowledge of the Labour party? For those who have not followed, there is no fee paying in GM schools. I make that clear in case there any other hon. Member thinks there is.

There is insufficient time to reply to the very wise and detailed comments of my hon. Friend the Member for Erewash on funding. I assure her that we will continue to look carefully at the national funding formula. She has heard me say before from the Dispatch Box that there are some problems in that respect. I assure her that we are considering the matter with the best will in the world.

The hon. Member for Bath spoke of a policy that had failed. He should ask the grant-maintained schools about it; he should visit them. Labour Members can contemplate visits only when armed with a cross and clove of garlic, but I would have hoped that Liberal Democrat Members might visit the schools. If they did, they would find that the schools, far from having failed, are popular and successful.

We are grateful to the hon. Member for Bath for having affirmed his party's continuing outright oppostion—

Mr. Deputy Speaker (Sir Geoffrey Lofthouse): Order. We must now move to the next debate.

Opencast Mining

11.30 am

Mr. Bill Etherington (Sunderland, North): I should like to offer you my belated public congratulations on your being honoured, Mr. Deputy Speaker. As you know from our discussions in the Tea Room, I do not have a high regard for the honours system. If more people like you were honoured, I might begin to have a rather different attitude.

I was interested by the comments of the Under-Secretary of State for Schools at the end of the last debate when he mentioned the O-turn. I have heard of the U-turn but now we have the O-turn. I regard Government policies as being more of a Q-turn; they go around in circles and have a let-out for themselves with a little squiggle. That is true of this debate.

Before I run away with myself, to which I am prone, I ask hon. Members to keep their contributions short, as I shall. That will give everyone with an interest in the subject a chance to say what they have to say. Unfortunately, we are not too good at that in the House. I have often sat long and patiently, wanting only a few minutes while people have rambled on for 25 minutes saying what could have been said in five. If that is a criticism of both sides of the House, so be it.

This is an important subject that causes great concern to all constituencies that have the continuing problem of opencast mining. I am fortunate, because although there is one opencast site in the local authority that covers my constituency, there is none in my constituency because the mining would be too deep for current technology. The Permian bed that covers the coal measures under my constituency makes it an impossible task.

You are well aware of the problem, Mr. Deputy Speaker, because your constituency has more than its share of such problems. It is interesting that when such matters are debated, we find the normal divide in British politics: those who have the problem on either side of the House want to do something about it; those who do not have the problem are often not very interested or are willing to advocate a process that makes other people's lives miserable. It is a case of not in my backyard.

There is considerable interest in the subject throughout the country. As one of the constituents of my hon. Friend the Member for City of Durham (Mr. Steinberg), I appreciate that he has a great problem. I know what it is like. Luckily, in the village where I live we had a narrow escape a couple of years ago. There was not enough coal in a pit heap to make it viable and it was decided not to take the mineral beneath it before the site was landscaped. I was eternally grateful.

Next Thursday in the Jubilee Room, there will be a meeting of the Biddulph Action Group organised by my hon. Friend the Member for Stoke-on-Trent, North (Ms Walley). Many things are coming together. That campaign is not from my constituency but from the miners parliamentary group, which is concerned about the issue. I know that many other mining Members who do not belong to the miners group have the problem, including some Conservative Members.

Opencast coal mining is absolutely unnecessary. We have it only because certain groups of people are doing very well financially from it. No benefits accrue to the population in general. If I was still burning coal, which fortunately I am not, and went to a coal merchant and said, "I hear opencast coal is cheaper, can I have some?", I would not get a reduction. All coal is the same price for domestic consumers. The opencast market is a scandal and disgrace.

At one time in the north-east, both Northumberland and Durham county councils had sound policies of considering opencast output as a percentage of deep-mined output. It was rightly felt that, as deep mining capacity was reduced, so should opencast capacity be. Over the years, we have heard all sorts of arguments about the necessity for opencast coal, such as how it was needed to be blended with deep-mined coal. In the north-east that is no longer true because there are no deep mines left in County Durham: only one survives in Northumberland on a wing and a prayer. There is tremendous opencast mining output and no sign of it reducing.

I remind hon. Members who have studied the subject, and I see that there are some here, of the Flowers commission in the late 1970s, which recommended that opencast mining should be gradually phased down to—I use its term—a tick-over level. Some tick-over. It seems to me that it is going on at a fair speed and shows no sign of reduction.

At the time of the Flowers report, legislation from the Department of the Environment stated in effect that a need for coal would be a consideration when local authorities decided whether to grant planning permission for opencast mines. I know, for example, that at that time I appeared at no fewer than six hearings where applicants had appealed to the Department of the Environment after the local authority had decided to turn down their applications. On all six occasions the appeals were turned down. The late Nicholas Ridley later overturned one of them, but five out of six was not bad.

However, that was not the way in which the Government preferred to work because they changed the guidance and introduced mineral planning guidance 3, MPG3, one of the worse items of legislation ever. I call it legislation because, in effect, it is legislation. If local authorities do not abide by it, they face great cost disadvantages should they be unsuccessful against the applicant for a licence.

MPG3 stated that it would be assumed, without any sort of analysis, that opencast mining was a good thing. An application for a licence would be refused only if the local authority thought that there were pressing environmental reasons for doing so. Overnight, that changed the emphasis. The operator previously had had to prove a need for coal and the desirability of the site. Suddenly, the deal would go ahead and it was up to local authorities and anyone else who opposed such a move to prove environmental grounds.

The statistics after that new guideline was introduced show a quick change and that many more opencast appeals were successful. As a result, councils initially were reluctant to take operators on because they knew that they had little chance of success on appeal. They would not only have to bear the cost of the hearing but pay operators' damages for loss of trade—talk about one-sidedness; that is appalling.

Two years ago, we had the cataclysmic deep mine closure programme. We were told that regardless of price, there was no market for a vast amount of coal. I should have thought that if there was no market for coal, opencasting would be gradually phased out. That has not

been the case. What is happening is what we always believed would happen. Evidence has been given over many years to the effect that opencast coal would replace, not supplement or assist, deep-mined output. That is precisely what has happened.

I understand that MPG3 has been modified slightly, but it does not appear to have altered much. No consideration is given to need. Anyone can approach a local authority, say that he wants to mine coal and present his plans. The coal may never be disposed of—the firm could go bankrupt—but there is no procedure for monitoring.

We should like a return to pre-MPG3 times. I should have thought that, if there were a need for opencast coal, operators would not have too much difficulty in proving it. I know that previously, they had some difficulty, which is why they lost so many appeals. That showed that the system was working.

I do not speak a great deal on environmental matters because I am not an authority on them, but I know a little about markets. I know that for every employee in the opencast sector, five people would have been working in the deep-mined sector. Taking into account all the mining communities, the ratio would be about seven or eight to one. The coal costs the same but the difference is between employing one or eight people. That, it appears, is no longer the issue; the real issue now is why are deep mines continuing to be run down and closed with a subsequent reduction in manpower?

The situation will get worse because more gas and nuclear-powered stations will undoubtedly come on stream, despite what the Government say to the contrary. There will therefore be less demand for coal. Unless something is done, we shall end up with no deep mines, and the bulk of our coal will come from opencast sites, for as long as they last—I understand that we are now down to the final 20 or 25 years of potential supplies. Some might be pleased about that; it is only a pity that we had to lose so many deep mines and import coal to bring that about. In addition, we have lost an industry and the skills of tens of thousands of people. There are 3 million people unemployed, but the scandal continues.

I am now going to say something a little unusual. I was a member of the Standing Committee that considered the Coal Industry Bill when the industry was being denationalised, which was another disaster. Members of the Committee were heavily lobbied by the National Farmers Union, and I found that it had a fair case. It will want to know what is being said today so I shall make my remarks loud and clear. I am prepared to help the NFU as a decent and responsible Member of Parliament and I want it to reciprocate. When it has heard what I have to say on its behalf, I hope that it will seriously consider changing its attitude about access to the countryside so that when I and others go for a walk we do not face an obstacle course. Members of Parliament are reasonable and we try to help people; it is not unreasonable to ask the NFU to reciprocate.

One of the problems that farmers have, as they have made clear for a long time, is that the land which is returned to them is not satisfactory for agricultural purposes for a long time, if ever. They say that, following statutory reinstatement of the land, a period of five years is not the end of the matter and that some work might still need to be done afterwards.

Almost 15 years ago, there was an arrangement between farmers and landowners and what was then the National Coal Board. It was called a post-release rehabilitation scheme. That sounds good—it reminds me of the miners' rehabilitation centres. "Rehabilitation" is an interesting word. Under the scheme, land would be examined after a given period, and any remedial work required would probably be done by the landowner if he or she so desired and paid for by the coal board. It appears, however, that that did not happen very often.

One has to ask why the land is not returned to its original condition. Is it because it might affect profit margins, or because it might make opencast mining less attractive? When all is said and done, deep mines, which could produce more cheaply than opencast sites, have been closed.

Wearmouth colliery in my constituency was heading towards producing coal for £1 a gigajoule. Coal was mined in a 7 ft high seam, the highest that had been worked for about 90 years. However, it was closed because it was said that there was no market for its coal, even at £1 per gigajoule.

I have done my bit for the NFU, and I hope that the Minister will consider the matter seriously.

Mr. John Home Robertson (East Lothian): I am grateful to my hon. Friend for giving way to a farmer on his own side. He mentioned the need to reinstate land. Will he say a word or two about the apparent failure of opencast operators to deal with the problem of ground water from opencast sites? A substantial site at Blindwells in my constituency is about to stop work in October or November this year. We have been advised by the Coal Authority that the mining operators are not going to be required to continue pumping the water out of the site, which means that when the water table reaches its original level the surrounding areas will be severely affected by badly polluted ground water. What on earth can be done about that?

Mr. Etherington: I thank my hon. Friend for his helpful intervention. He will be well aware that we tried to get something done about that when the Coal Industry Act 1994 was being passed. We were given all sorts of assurances but no specific legislation. The same is happening with the Environment Bill, which is currently going through its final stages. In other words, we are no further forward—it is all promises but no legislation. I am sure that until we have a change of Government things will remain the same because such legislation would mean interfering with commerce. We all want commerce to do well and we all want wealth to be created, but not to the exclusion of everything else.

Ms Joan Walley (Stoke-on-Trent, North) *rose—*

Mr. Deputy Speaker (Sir Geoffrey Lofthouse): Order. The hon. Gentleman is not giving way. Before I call another hon. Member, I hope that the House will take note of the hon. Gentleman's generosity in leaving time for others. This is a short debate in which there is a great deal of interest. I hope that speeches will be kept short to enable as many hon. Members as possible to speak.

11.46 am

Mr. Richard Alexander (Newark): I must apologise to the House and the Minister because I might have to leave before the debate ends. I undertook another engagement before I knew that this debate was to be held. I shall, however, be here for most of it.

[Mr. Richard Alexander]

I join the hon. Member for Sunderland, North (Mr. Etherington) in congratulating you, Mr. Deputy Speaker. The honour has given great pleasure to your many friends of all parties.

That, however, is the only point on which I agree with the hon. Gentleman. His thesis was that opencast coal was unnecessary. My thesis is to the contrary, but I believe that we must deal properly with its environmental aspects.

A few old Labour party workhorses were trotted out and exercised today. The Labour party was hostile to opencast mining because it was largely run by the private sector whereas the nice, benevolent British Coal looked after coal miners and provided safe jobs. I do not think that those arguments are relevant any more.

I regret that while we are—quite properly—talking about the environment, the Opposition seem thus far to be dressing up the environment to use it as an argument against opencast coal. That would be a disservice to a fine industry and those who work in it. We must spell out the fact that surface-mined coal is provided at a low and predictable cost whereas deep-mined coal is high cost and carries an even higher risk factor.

Ms Walley *rose—*

Mr. Alexander: If the hon. Lady wishes me to give way I shall do so, but it will extend the time that I take. Hon. Members cannot have it both ways.

Ms Walley: I shall be brief. How does the hon. Gentleman believe that the true and full cost of opencast coal mining can be measured? He talks about economic appraisal and opencast coal being cheaper, but has he taken into account the blight on property and, for example, the effect of dust on health? How does he ensure that the true cost is known?

Mr. Alexander: The hon. Lady makes an absolutely fair point. That is why the debate is relevant. Such equations must be considered, and I hope that my hon. Friend the Minister will give reassurances on those points when he replies.

If I may, I shall continue my thesis about the benefits of surface-mined coal, and point out to the House that surface-mined coal, as I am sure many Opposition Members are aware, can be blended with deep-mined coal, which has a higher moisture content. With that blend, it is more acceptable, more manageable. It reduces the high chlorine content that exists in many seams of deep-mined coal. It has one tenth of the average amount of chlorine of deep-mined coal. It is has a low ash content and a high calorific value, particularly in the north-east and in parts of Scotland. Those are all environmental considerations. Surface-mined coal is part of the overall equation that we are discussing. It is not helpful to the argument and to one's knowledge to rubbish it as an aspect of the mining industry before reaching a conclusion.

Ms Joan Ruddock (Lewisham, Deptford): Will the hon. Gentleman give way?

Mr. Alexander: Just once more.

Ms Ruddock: It is an extremely simple question. Will the hon. Gentleman comment on the sulphur content? Is it not true that opencast coal often has a much higher sulphur content than deep-mined coal?

Mr. Alexander: That may be so. I make no apology for the fact that I am listing the advantages of surface-mined coal. We should recognise that the properties of surface-mined coal improve the handling characteristics and the saleability of deep-mined coal. We now have acceptable blends for shipment abroad; we still export a lot of coal. If we make our deep-mined coal more acceptable to people who buy from us, we are helping the industry as a whole.

Sometimes, when deep-mined coal cannot be washed further, the addition of surface-mined coal will make it saleable. In Nottinghamshire, for example, each tonne of high-chlorine deep-mined coal needs to have about 1 tonne of opencast added to it to make it acceptable to purchasers. If the implications of the comments of the hon. Member for Sunderland, North were followed through, they would cast a grave burden on the acceptability and the saleability of the coal, which is Britain's coal and which we are trying to sell to people in this country and abroad. It will harm British industry and British jobs if we go down the hon. Gentleman's route.

We are still competing against imported coal. I shall not go into the arguments about how the imported coal is acquired, as those are yesterday's arguments, but the fact is that we are still in competition. There are certain commercial facts about opencast that cannot be denied, the first of which—this deals with the point made by the hon. Member for Stoke-on-Trent, North (Ms Walley)—is that those who are involved in its extraction will say that it is far cheaper to extract coal from the surface rather than from deep mines. I should have thought that that logically follows and does not need a great deal of proof.

The second point is that we must produce coal to sell abroad. The third and vital point—I am astonished that the hon. Member for Sunderland, North did not concentrate on this—is that the coal industry and the surface-mined coal industry provide a great many jobs in various communities. Those are very important points. I have the honour, with the hon. Member for Sherwood (Mr. Tipping), of representing a north Nottinghamshire seat, and jobs are important in coal mining areas. It is a dirty and a dangerous job, and we should accept that it has already suffered a great deal from contraction. Opencast is a key element in the objective of sustaining a large economically viable United Kingdom coal industry. It is a significant contributor to the bottom-line profits of the rest of the coal industry and hence the maintenance of jobs in it.

To my hon. Friend the Minister, I say, as do other colleagues here, that it is important that the new guidelines for MPG3 should work with the grain and ensure that coal from the surface is economically and environmentally acceptable. The environment is extremely important, and the environmental effect of opencasting on local communities is a matter of great responsibility for my hon. Friend and, indeed, for MPG3.

We must accept that the Coal Industry Act 1994 imposes such a duty on developers, which they accept. They in turn must ensure that they mitigate the worst effects of their operations on communities, and planning authorities must ensure that they do. Local people must accept that surface mining is about not just profits and shareholders but jobs in communities. There are many examples of former opencast coal mining operations being restored to great benefit in our communities. There is one not far from north Nottinghamshire, the Rother Valley

country park in south Yorkshire. There are excellent examples of environmental attraction once coal surface mining has been concluded.

The call for opencasting to be closed down because there is surplus of deep-mined coal elsewhere is shortsighted. It has merit in the short-term, but to close down a significant part of the coal industry cannot be a good long-term proposition. Competitive disadvantage, if my earlier thesis is followed, will certainly be brought about from short-term expediency. One cannot just turn on and off surface mining like a tap. It is a five-year programme, and that is why the environmental aspect of it is so important. We must remember that the employers, the major contractors, have invested £1,000 million in their surface mining activities. It is not a fringe activity. They employ 15,000 people, directly and indirectly, often in areas that have suffered drastically from coal mining closures.

Planners must give opencast a fair wind. It can do without the hostility of some hon. Members and some people outside. It must be allowed to produce low-cost indigenous coal, which will enable the industry to thrive and continue to export. I suggest to my hon. Friend the Minister that more drastic constraints will put that at risk, as will the ideological opposition of some Opposition Members. I hope that my hon. Friend will resist going down that particular route.

11.58 am

Mr. Gerry Steinberg (City of Durham): I congratulate you, Mr. Deputy Speaker, on your knighthood, and my hon. Friend the Member for Sunderland, North (Mr. Etherington) on securing this debate on a subject which is so vital for my constituency.

Mine is not an ideological argument, but a purely practical argument about the horror that my constituents have to put up with. I have long campaigned against opencast mining, which has expanded with increasing alarm in my constituency, because of the horror that it brings. As well as being directly related to pit closures, which have destroyed our pit communities and led to high unemployment, it has had a dreadful impact on the environment in my constituency.

First, heavy lorries thunder through villages and local communities from the early hours of the morning, past residential properties and the main pedestrian walkways where parents are often taking small children to school. The increase in the number of heavy lorries is making conditions intolerable for residents and exacerbating the dangers that pedestrians have to endure all the time.

Secondly, there has been widespread damage to the landscape, which is visible to both commuters and visitors to the beautiful city of Durham from virtually every main approach as more and more opencast sites are agreed. Both tourism and local industry have been increasingly affected. The open countryside is being ravaged, conservation areas are being damaged and the dust and debris resulting from mining operations threaten the local flora and fauna.

Thirdly, there is the dust and nuisance that people have to endure. Residents are inevitably subject to dust and diesel pollution. Last year, residents of Bowburn in my constituency had to put up with opencast mining at the R J Budge (Mining) Ltd. site at Whitwell, which is approximately half a mile from their homes—less than that in some cases. There have been significantly greater dust deposits in their gardens, and many more cases of asthma, particularly among children.

There are no guarantees that the implementation of dust control measures can avoid the hazard. Moreover, there is no control over exhaust emissions from the plant. Dust pollution is far more than just a nuisance. In a recent answer to a parliamentary question from me, the Parliamentary Under-Secretary of State for Health accepted that an independent advisory committee had confirmed research findings showing an association between opencast mining and the increase in asthma.

Mr. William O'Brien (Normanton): The hon. Member for Newark (Mr. Alexander) may not still be present when I make my speech. My hon. Friend speaks of the effects on health, welfare and the environment in his constituency; will he now condemn the hon. Member for Newark for not taking those effects into consideration?

Mr. Steinberg: I said at the beginning of my speech that my reasons for objecting to opencast mining were not ideological, but motivated by a desire to protect my constituents from environmental damage. The hon. Member for Newark (Mr. Alexander) gave purely ideological reasons for supporting an industry which is making millions of pounds for certain people. When he speaks of ideology, he should look to himself rather than Opposition Members. Many thousands of people's health, as well as their everyday lives, are being dramatically affected.

Opencast mining is detrimental to the quality of life. It affects both the environment and the general morale of local communities. The effect on those communities is traumatic. Former mining villages in my constituency are only now recovering from the scars left by the industry. In recent years, the area has been subject to considerable environmental improvements, including the reclamation of former colliery sites and the creation of new industries, jobs and recreational facilities. The establishment of new mining operations in those areas is a dreadful retrograde step—and it could go on for 30 years.

As well as the new applications, there are the "while we are here" applications. For example, R J Budge started work on the Whitwell site on 1994. In January 1995 the firm applied for a variation to build an additional 20 m mound on the same site because there was not enough room to pile up all the overburden. By April, less than a year after coaling had started, RJB admitted that it had already extracted 100,000 tonnes from the site, although the permission granted on appeal was for only 250,000 over five years. RJB has also warned that it is seriously considering opencasting an area twice the size of the existing site, across the road from it, although the initial application stated that it was not viable. If the site is agreed it will be operational in my constituency for 30 years, which would be catastrophic.

R and A Young's original application and permission at Cocken Lodge, Leamside, was to extract 36,000 tonnes. It produced 90,000. The site grew and grew; permission was given for the extraction of a further 46,700 tonnes, but 60,000 were actually taken out. A further extension was granted to extract 324,000 tonnes, and then another 65,000. R and A Young later returned with another application, this time to opencast a further 670,000 tonnes. After appeals and High Court action, the site is now being mined by R J Budge, which is exactly what it wanted.

Opencasters cannot be trusted: that is the lesson that we must learn from today's debate. At this moment, there is a threat of another application at Park Hill and Old

[Mr. Steinberg]

Quarrington in my constituency. The strength of local opposition is enormous. At a public meeting about a month ago, hundreds of people expressed their determination that the application should be refused. The proposed work would constitute an unjustifiable intrusion into open and highly visible countryside; it would be a major cause of pollution, and would seriously damage amenities that local people have a right to expect.

There are 260 houses within 250 m of the proposed site. It is incredible that the firm should want to apply for a site so close to those houses. The applicants themselves accept that there would be an adverse impact on nearby residents, but they are going ahead with the application. Given the sheer numbers of residents affected, the pollution caused by dust, diesel, noise and traffic and the inevitable severe visual intrusion, allowing the application would constitute a huge departure from the county structure plan.

I am sure that the application will eventually go to appeal, but what will happen then? In a recent parliamentary answer, the Minister acknowledged that nationally, since 1985, a staggering 40 per cent. of all opencast sites which had been run on appeal against the wishes of the community had been in County Durham. The north-east bore an amazing 57 per cent. of all such planning consents approved on appeal. That is an appalling statistic, not just for the people of Durham but for those in the north-east generally.

The hon. Member for Newark constantly claimed that the industry brought many jobs into the area, but that claim is not substantiated. I am not aware that more than one job has been created by RJB on the most recently approved working site in my constituency for a so-called local—that is, someone living within 10 miles of the site.

On 15 November 1991 *The Journal*, a local newspaper, carried the headline, "Appeals inspectors 'swayed by misleading employment claims'—Opencast bosses fail to deliver promised work". It was reported that

"hundreds of jobs promised at controversial opencast coal sites have not been delivered",

including Stobswood where 500 jobs had been promised and 76 people were employed, Plenmeller where 120 jobs had been promised and 26 people employed, and Chester House where 160 jobs had been promised and 101 people employed. A British Coal official admitted that job predictions had not been met, but attributed that to technological advances. As I said, one cannot trust the opencasters. Moreover, potential and existing jobs are threatened by the new ugly opencast sites which have developed, particularly in my constituency.

In an amazing and shocking confession, the Government have acknowledged that they have blighted Durham with unwanted opencast sites; they have also been forced to accept the growing body of evidence of health risks associated with such sites. Those facts alone must force a rethink of the Government's disgraceful attitude to opencast sites, not just in my constituency but throughout the country.

12.9 pm

Mr. Spencer Batiste (Elmet): I, too, congratulate you on your honour, Mr. Deputy Speaker, which has brought much pleasure to all of us in west Yorkshire. It is also appropriate that you should be in the Chair for this debate as over many years you have contributed so significantly to our debates in the House on mining, especially in relation to opencasting. Having said all that, I am bound to honour your admonition to be brief, so I shall not repeat things that I have said on previous occasions.

It is clear that there are some circumstances in which opencasting is acceptable and sensible, and others in which it is not. In my constituency, we have clear examples of both those positions. In the south of my constituency at St. Aidans, there is a huge site which was derelict, an eyesore and dangerous. Opencasting was the only practical way of solving that problem and of creating good countryside and a good environment for local people. It produced a great deal of community gain in terms of cash, as well as the long-term benefit that will come to the environment. In such a situation, opencasting makes sense.

Further north in my constituency, in the sensitive green belt area between the town of Garforth and the conurbation of Leeds, one finds a situation in which opencasting cannot make any sense. At Austhorpe, in the constituency of the hon. Member for Leeds, East (Mr. Mudie), and at Garforth, communities are capable of attracting high-quality inward investment, both in commerce and in industry. There are established communities and a crucially sensitive area of environmental green belt. The problem that we face in such a region is that individual applications for opencasting are made and each case is considered on its own merits without any real strategic overview of what is right for the region.

My hon. Friend the Minister will rightly point out that mineral planning guidance No. 3 states that there should be local minerals plans which highlight where opencasting is appropriate and where it is not. Around the country, a number of local minerals plans make precisely that sort of judgment. That does not help us in Leeds, however, where no local minerals plan is in place and where the process of obtaining such a plan is inevitably some years away as the whole exercise is bound up with the unitary development plan inquiry, which will take years.

In that region, we faced an application from one company, H J Banks, for a site on the line of the A1-M1 link road. Inevitably, there will be sterilisation, so the company has made a very short-term application. Against the wishes of the local communities and of the Department of Transport, which feared that the site would delay the building of the road, the company received planning permission on a one-off basis. The moment it has that application and is into production, however, it comes forward with another application for another site nearby which will enable it to continue its mining even though that site has nothing to do with the line of the road or sterilisation and is on green fields. A further three, four or potentially five applications are known to be already on the table or in the pipeline for consideration. The problem that we face when we come to a planning inquiry is that each of those applications is considered in isolation and we do not have the protection of a local minerals plan.

MPG3 stresses the importance of the concept of sustainable development. The real core problem for constituencies such as mine is that it is unclear what sustainable development actually means. In Garforth, it must mean the attraction of modern high-quality investment which is coming on the back of the excellent

communications and the skilled work force. In that region, unemployment is not high. The region is expanding and attractive and many high-quality companies are seriously considering locating there. If sustainable development means anything, it must mean that, for that region, we should promote a planning environment which attracts and is helpful to that programme. We should not put in opencasting which, whatever safeguards are put in place, will produce some measure of dust. One company which has built a £20 million factory in my constituency says that opencasting causes problems for the purity of its product.

The real core of the problem that a constituency such as mine faces is that if one does not have a unitary development plan there is no opportunity for a strategic overview to be taken of what is right for that region.

Mr. John Gunnell (Morley and Leeds, South): Will the hon. Gentleman give way?

Mr. Batiste: Perhaps I may finish this point; then of course I shall way to the hon. Gentleman, whose constituency suffers problems not dissimilar to those in my own.

Between Garforth and the Leeds conurbation, a number of opencast applications are coming forward which clearly do not fit into the pattern of development of that region. It must be right for a strategic overview to be taken. Such an approach cannot be taken within the time frame of these planning applications because the local minerals plan inquiry is caught up in the unitary development plan. It must therefore be right for the Minister and the Department to call the applications in and inject a strategic overview into the structure.

Mr. Gunnell: Because the hon. Gentleman represents a marginal seat, he was able to get the Secretary of State for the Environment to visit his opencast site. The hon. Gentleman is talking about the cumulative effects of application after application in the same region. Was his right hon. Friend the Secretary of State taking note of what he had to say about that, and would the Secretary of State be prepared to see the cumulative effect of sites in nearby constituencies which are not marginal and therefore not of such interest to him in the next election?

Mr. Batiste: I am delighted that my right hon. Friend the Secretary of State for the Environment came to my constituency to consider the situation and to discuss with local action groups and local representatives the issues that are involved. If I have been more successful in attracting Ministers to consider problems in my constituency than the hon. Gentleman has, that is perhaps just a fact of life, but—I say this without making party political mischief between us—the issue that the hon. Member for Morley and Leeds, South (Mr. Gunnell) faces in his constituency and that which I face in Elmet are not dissimilar. Both of us are exposed to a position in which there is no local minerals plan in place, a number of opencast applications are either on the table or in the pipeline, and some opencast mining is already under way.

What I am saying to my hon. Friend the Minister is specific not just to my constituency, but to the hon. Gentleman's as well; exactly the same issues would apply. When the Secretary of State was in my constituency, I specifically made the point that this issue affected the whole of the green belt around the south of Leeds, where sensitive green belt regions have been designed to maintain the separation of different communities, where communities are able to attract good quality investment, and where opencasting is not suitable in terms of the sensible economic development of those regions.

I therefore say to my hon. Friend the Minister that, within the context of MPG3 and with all sensible economic planning criteria, in regions such as ours, a strategic judgment must be made as to whether applications should be granted. They should be based on a strategic overview of what is right for that region, rather than put forward one by one, whereby individual companies chip away at a local authority and its unwillingness to spend large sums of money fighting cases through inquiries.

In the situations that I have described, I urge my hon. Friend the Minister to make it clear that, for that particular region, he will call in applications so that a strategic overview can be injected by the Government.

12.19 pm

Mr. William O'Brien (Normanton): I should like to address local issues which could involve your part of Wakefield, Mr. Deputy Speaker, as well as my constituency and those of my hon. Friends the Members for Wakefield (Mr. Hinchliffe) and for Hemsworth (Mr. Enright). We have the same problems in relation to opencast mining. The problems relate not only to mining on derelict sites, which have been mentioned, but to planning applications. For instance, an inquiry is imminent on the Sharlston opencast site.

When we discussed mineral plans and extraction in Committee on the Environment Bill, where the Minister led for the Government, I spoke of problems to which I should like to refer again today to try to impress on the Minister the importance, when considering applications for opencast mining, of the points raised by my hon. Friend the Member for City of Durham (Mr. Steinberg) about the environment, health, noise and dust pollution as well as the nuisance of lights. The Minister must attend to those matters in relation to applications and appeals.

The Sharlston application is from a Mr. Banks and would involve opencast mining in a green belt area. I invite the Minister to view that rural area because it would be a crime to blight it with opencast mining, and the people responsible for the applications should be treated as criminals. It seems that the hon. Member for Newark (Mr. Alexander) would defend such developments. Houses and communities are situated less than 200 m from the proposed site; if that is the kind of development that the hon. Gentleman thinks should go ahead in that environment, I have little sympathy for his constituents.

Mr. Alexander : Will the hon. Gentleman give way?

Mr. O'Brien: I am reluctant to give way to the hon. Gentleman, but as I have mentioned him I will certainly give way.

Mr. Alexander: Perhaps I may help the hon. Gentleman by giving him the positive assurance that that was not what I said. I argued that surface-mined coal should not be rubbish and that in considering planning applications the Minister should be extremely sensitive about the very implications that the hon. Gentleman mentions.

Mr. O'Brien: The hon. Gentleman did not say that in his speech, but I accept his points.

[Mr. O'Brien]

I impress upon the Minister that it is a question not just of planning applications but of the problems which develop from them. In the Oulton area of my constituency there was opencast mining in the past. Because coal can now be mined at a greater depth, there is an application to carry out new opencast mining on that Oulton site. That is also a crime against the community. The Minister must take opencast mining seriously.

In Committee on the Environment Bill I said that we do not want rape of the countryside in Sharlston. People in that area are totally against the application. They take the view that the closure of the deep pit at Sharlston followed by an application for opencast mining creates problems and is an added insult to the people who lost their jobs in that area. The Minister must consider a number of issues.

I should like to develop other matters, but as a large number of hon. Members want to enter the debate I shall be brief. I ask the Minister to consider the Sharlston application because it could be used as a barometer, as an example of refusing planning applications for coal that is no longer needed. The problems for the environment from such a development can be envisaged. I invite the Minister to come to Sharlston, look at the site and let me have his observations about what he thinks is right or wrong about an application to develop opencast mining there.

12.24 pm

Mr. Peter Atkinson (Hexham): I also shall be brief. Opencast mining is clearly a controversial activity, but there is no reason, when debating it, for logic and truth to go out of the window. I think that the hon. Member for Stoke-on-Trent, North (Ms Walley), who is no longer in her place, said that deep mining was an environmentally friendly way to extract coal while opencast mining was an environmentally damaging way to do it. That is patently absolute nonsense.

Ms Joan Ruddock (Lewisham, Deptford): I have a duty to defend my hon. Friend, who is not here at the moment. She did not say what the hon. Gentleman attributes to her. She asked how the total costs of opencast mining could be evaluated, taking into account social and environmental costs. I do not remember her making any comparison with deep-mined coal.

Mr. Atkinson: We have to take the logic of the hon. Lady's remarks to their conclusion. If she takes into account the environmental costs of one form of mining, opencast mining, I assume that she must take into account the costs of deep mining. It is manifest nonsense to say that deep mining is environmentally friendly, as some hon. Members have hinted. Anybody who was brought up in the north-east of England, as I was, and who saw the smouldering pit heaps and the legacy of disease and injury that were caused by deep mining would not say that. We can argue that opencast mining has considerable advantages and that, when the work is finished, the land is generally restored to an extremely high standard. The risk of injuries, accidents and dangers to health of the people in the opencast industry is smaller than it is to those who work in deep mines.

The hon. Member for Sunderland, North (Mr. Etherington) said that opencast coal was not necessary. My hon. Friend the Member for Newark (Mr. Alexander) made some good points about that. It is manifest rubbish to say that such coal is not necessary. Opencast coal is needed to add to the coal from deep mines to make the deep mines viable. If the hon. Member for Sunderland, North wants to shut Blenkinsopp colliery in my constituency or Ellington colliery in Northumberland his proposal is the way to do it.

Mr. Etherington: The hon. Gentleman accuses me of talking rubbish. That is fine, because he is an expert on the subject. I do not mind such comments from him because they are obviously authoritative. If land is as well restored after opencasting as he says—he has many more farmers in his constituency than I have in mine—why does the National Farmers Union not agree with him?

Mr. Atkinson: I can say from first-hand experience that the land in my constituency that has been opencast and restored is in some cases better than it was originally.

Mr. Dennis Skinner (Bolsover): Farmers will vote Labour next time.

Mr. Atkinson: Chance would be a fine thing. I do not think so.

Plenmellor, which is being used for opencast mining, was mined in the past. The land was potholed, had shafts and was dangerous. It will be restored to open moorland. We need opencast coal. The hon. Member for Stoke-on-Trent, North spoke about sulphur. I suspect that she is wrong; I think that opencast coal has less sulphur than deep-mined coal. The advantage of opencast coal is that it can be mined completely clean and its calorific value can be determined exactly. Power stations do not blend coal themselves, but buy ready blended coal, so if it was not available here they would buy it from abroad.

It should be borne in mind that, for about every 100 tonnes of material that is mined underground, only 60 tonnes is coal. On average, there is 40 tonnes of spoil, which has to be tipped in the countryside.

I do not see how, if the hon. Member for City of Durham (Mr. Steinberg) took a walk down the Durham beaches, where colliery waste has been thrown for years, he could argue that properly controlled opencast mining is as environmentally damaging as existing deep mines.

Through MPG3, the Government have done a great deal to tidy up and strengthen the planning laws relating to opencast mining. For a start, they have removed the qualification of national interest, which was a great step forward. Before that, opposition to opencast applications could easily be overridden because of so-called national interest and objections to importing coal. The Government are putting in strict controls so that opencast coal mining happens only in areas where it is suitable or where it improves derelict land. That point has not been mentioned either.

The land surrounding opencast workings on the site of the old Orgreave colliery will be restored to a much better standard at no cost to the public purse. If the site had not been opencasted, the work would have cost the taxpayer £10 million or £15 million. There are environmental benefits of properly controlled opencast mining.

I sympathise with my hon. Friend the Member for Elmet (Mr. Batiste) since there is not a mineral development plan in his area. He should have one. Most of the country is covered by such plans. Indeed, most county councils or local planning authorities consider

whether opencasting is possible and where it can be carried out to benefit the mining industry without causing untold environmental damage that affects nearby residents. I congratulate the Government on their stance and on their new rules and regulations in MPG3.

12.31 pm

Mr. Dennis Skinner (Bolsover): It is very interesting to listen to some Tories complain about opencasting in their areas and about the fact that they are likely to get more opencast applications. With odd exceptions, most of them were there in 1992, shutting the 31 pits with the President of the Board of Trade—who is now, so I am told, Deputy Prime Minister. Most of them went into the Lobby to shut the 31 pits despite the fact that almost every Opposition Member who spoke on the issue said that it would result in more opencast applications in every coalfield in Britain. Now they are crying and whining and whingeing because what has happened is exactly what we forecast.

It is a scandal that the President of the Board of Trade is being promoted when he helped to shut the 31 pits and took part in that—I shall use my words carefully—very smelly deal with R J Budge. There is no doubt that when the President of the Board of Trade knocked that £100 million off R J Budge's contract, he knew that Mr. Budge would make a load of money out of opencasting. Every one of us who work and live in those areas know that an opencast application is a licence to print money. That is the reason for MPG3. This Tory Government wanted to assist their friends, many of whom put money into the Tory party, including Mr. Budge. It is a classic example of the Tory party liaising with others to line their own pockets in return for ensuring the closure of deep-mine pits.

It is an affront that the hon. Member for Hexham (Mr. Atkinson) said that my hon. Friend the Member for Sunderland, North (Mr. Etherington) was on about rubbish. The hon. Gentleman went on to tell us—I think that this is what he implied—that he wanted to opencast Ellington colliery. It is under the sea. I do not know whether they have some new equipment that I have not heard about.

Mr. Atkinson: Will the hon. Gentleman give way?

Mr. Skinner: No. The hon. Gentleman made it clear that he wanted opencast instead of deep mines and he referred to Ellington colliery. I think that I can rest my case.

Mr. Atkinson *rose—*

Mr. Skinner: The hon. Gentleman has had his chance. Sit down. I know that he voted for Major. Now he has his problems he should not land them on us.

We want to get back to the main question: the blight of the coalfield areas. We know only too well that if any opencast applications were made near Chequers, they would be turned down. The truth is that, with rare exceptions, most opencast applications are made in areas from which spring—in the main—Labour Members of Parliament, including the First Deputy Chairman of Ways and Means. He knows about the subject as much as anybody else.

The Government do not really care. They are not bothered about the outcome. That is why there has been a host of applications recently—to line Mr. Budge's pocket so that he can hand over some more money to the Tory party. That is all part of the scene. That is why we have to get back to what can be done.

I am not one of those people who say that, when I worked in a colliery, there were no environmental hazards. Of course there were, but they are now developing deep mines such as those at Selby and Asfordby which are not like the old-fashioned pits in Durham, Derbyshire and Lancashire. Although they are not environmental hazard free, they are very different from those that we knew and worked in.

In the run-up to the general election, knowing that the Tory Government are not going to do anything to help us, we have to impress on our Labour Front-Bench team the kind of policies that we need for the future. First, we have to tackle this opencast business and get back to what we used to have. I remember a policy of no more green-field sites. We also used to have a policy which was in line with the Flowers commission—allowing, as my hon. Friend the Member for Sunderland, North said, opencast mines only to tick over. That meant that they hardly mined anything at all.

In Government, Labour party energy policy should be to take the remaining pits back into public ownership and then control opencasting. Mr. Budge and his friends would no longer exist. That is the only way. We can play around with MPG3 as long as we like, but we have do something more dramatic.

I will finish on this point because many hon. Members want to speak: there has been an aura around Mr. Budge and Arkwright in my constituency. Everybody is saying that this wonderful new authority is shifting a village from one side of the street to the other, that it is all benevolent and that it wants to do it for the good of the community. I have to tell the House that it is the biggest con trick of all time.

R J Budge closed Arkwright colliery and the methane came pothering out into the village and nearly blew it up. The villagers banded together, with my help and that of others, to take British Coal on. They took it to court, issued writs, and were on the verge of making money out of British Coal when what did it do? It said: "We've got a wonderful idea. We'll opencast all of Arkwright, we'll shift your village and you'll all get a house apiece." It saved itself all that wonderful compensation.

The whole thing was a con trick from beginning to end. I thank my hon. Friend the Member for Sunderland, North for giving me an opportunity to put that on the record. Those Arkwright people are really being shifted against their will. They had no option because they were frightened to death of the methane exuding from the old colliery. Now that we have had this debate, it is very important for our Front-Bench team to understand that we need dramatic answers. Pottering about with MPG3 and other such matters is important and I do not disregard it, but we have to take back control to ensure that we can be masters in our own house.

12.38 pm

Mr. Paddy Tipping (Sherwood): I hope that the Minister has listened carefully to the strong opinions of people who represent coalfield communities because there is no doubt that, over recent years, they have had a tough time. Coalfield communities aspire to a better future and that is what this debate is all about.

[Mr. Paddy Tipping]

In principle, I am not against opencasting, with one big proviso: it has to lift the landscape, enhance the environment and clear up areas of contamination and dereliction. There are some good opencast schemes. I draw the Minister's attention to the Moorgreen site in Nottinghamshire—the site of a derelict colliery which has been opencasted and will be replanted forming part of the new Greenwood forest giving people access to a better future; the recreation of Sherwood forest. Opencasters are not interested in such sites because they are small and difficult. They want the big, new green-field sites.

One can contrast Moorgreen and Robinettes just to the south. Robinettes is a mature landscape—the landscape of Lawrence. It is the area where Lawrence was born, where he roamed and where, I suspect, he did other things as well. The Erewash canal runs through it and the village of Cossall lies within it. It is an important site, yet British Coal tried to destroy it. I am pleased that the local campaign group succeeded and that the county council turned down the plan.

I know that RJB (Mining) will come back with another application. The company will be more sophisticated in that it will change the name in the application. Instead of calling the site Robinettes, the company will call it Shortwood Farm, but it is the same application. The company will do that because it believes that it can make money not out of a small derelict site, but out of a big green-field site.

I point out to the Minister that the average cost of opencasting is 80p per gigajoule—that is what the opencaster is aiming at. I hope that the Minister realises what is happening now in the deep-mining industry. My hon. Friend the Member for Bolsover (Mr. Skinner) talked about the new pits. Coal is being produced at Selby at £1 a gigajoule, and at Asfordby and Welbeck the figure is £1.20. As a result of the restructuring and because many of the overheads have gone, costs are coming down. I tell the Minister straight that, within two to three years, the cost of deep-mined coal will be lower than the cost of opencast.

The real costs of opencast are far greater than the figures suggest. Opencasting destroys landscapes, it destroys the environment and it puts people's health at risk. We need, as we have said before, a more sophisticated way in which to establish the real costs of development. The real cost of opencasting is that it ravages the community. I am no apologist for the deep mining industry. It is bad, tough and rough, but it is getting better.

Mr. Mike O'Brien (Warwickshire, North): The problem is not just what happens when there is opencasting, but the threat of planning applications for opencasting which hang over the community for years.

Mr. Tipping: Opencasting blights the area before and afterwards. We must look for a real energy policy—an energy policy with the deep coal industry as its cornerstone. Unless we have such a policy, I despair about the future. The cost of a new deep coal face is about £30 million. It is clear that, in 1998 and beyond, the new private owners will go for opencasting rather than capital investment. We must get a grip of the situation and give people a new and better future. They have had a tough time and they deserve better.

12.42 pm

Mr. Michael Clapham (Barnsley, West and Penistone): I want to deal with the two arguments put by the hon. Members for Hexham (Mr. Atkinson) and for Newark (Mr. Alexander). They argued that opencast mining was advantageous to the country and to the local community provided that high-quality restoration followed. I dispute that argument.

The Flowers report, to which my hon. Friend the Member for Sunderland, North (Mr. Etherington) referred, was produced in 1981. It spoke in terms of opencast being taken to tick-over level; opencast coal was not required in the amount that the hon. Member for Hexham suggested was required for technical reasons. The amount required for technical reasons is extremely small. If the hon. Gentleman had read the 1993 report produced by the Select Committee on Trade and Industry, he would have seen that the evidence given to the Committee by the Coalfield Communities Campaign suggested that the amount required for technical reasons could be cut to less than 10 million tonnes. That suggestion was made when 60 million tonnes of coal was deep mined. The Minister will be aware that the Select Committee recommended that opencast mining production be cut to 10 million tonnes.

In 1994, opencast coal production had reached 16 million tonnes and the total amount of coal produced in the United Kingdom was 48 million tonnes. In other words, the proportion of opencast coal has increased to one third of the total produced in the United Kingdom.

On restoration, I invite the Minister to visit the Redbrook site in my constituency. It was used for opencast at the end of the 1950s and the beginning of the 1960s. It was a long-term project. The site has been restored, but the land is blighted. It is now just pasture land. There is no arable farming, the woods have not been returned and the streams do not meander as they used to do. It takes up to 100 years after an opencast mine has ceased operation for land to return to the state that it was in before opencasting started.

Will the Minister confirm that, in a letter sent from his Department to RJB (Mining) just after privatisation, 110 opencast sites were identified in an area stretching from Derbyshire to the north-east? Will he confirm that figure? Will R J Budge be able to put in planning applications for sites that have been turned down before privatisation? If so, we in the mining communities can expect many more sites to be proposed for opencast mining.

I suggest to the Minister that there is now a need for insurance and bonding because some schemes may leave great holes with which the local authority will have to deal. R J Budge has already created such a problem at the Orgreave site, which was the subject of a debate in the House on 16 May. Several issues should be considered. I ask the Minister to ensure that he reviews opencast mining and to ensure that it is cut to tick-over level, as suggested in the Flowers report.

12.46 pm

Ms Joan Ruddock (Lewisham, Deptford): I congratulate my hon. Friend the Member for Sunderland, North (Mr. Etherington) on obtaining this debate, which has been extremely interesting and important. No Labour Member underestimates the nation's need for energy or the inevitability of hard decisions, given that no conventional energy source is unpolluting.

Opencast mining, however, should be a last resort and not a first resort. The industry should be recognised for what it is—noisy, dirty and destructive—and its economic worth, in terms of jobs and national need, should be judged accordingly. It should be an industry that is developed only when it can clearly serve the community's interests and that means the interests of the whole community.

Instead, opencast has been developed as a further expression of the Government's privatisation programme and of their hatred of the National Union of Mineworkers. Of course there are circumstances in which opencast can be tolerated. In some areas, it has a long history and the local community may have found an accommodation. In other areas land with a legacy of dereliction may be appropriately mined as opencast as a prelude to clear-up and restoration. In too many areas, however, as this debate has shown, the effects of opencast on the local community have been appalling.

Much opencast activity could have been avoided. In most cases, the same quantity and type of coal could have been mined from deep mines. When the Tories came to office in 1979, total coal output was 137 million tonnes, of which only 14.5 million tonnes—just 10 per cent.—was from opencast. Today, the proportion from opencast is almost one third, albeit that total coal output is down to 48 million tonnes.

Deep-mined coal production has been massively reduced by direct Government intervention and they have set in train a parallel strategy to promote an increase in coal from opencast mining. They gave guidance to local planning authorities in which they made it clear that

"it would be against the national interest to refuse permission for coal extraction"

by opencast mining. That judgment was reinforced by a series of further measures that, rather than being a response to the changing needs of modern communities, led to opportunities for making private profit by a few of the Tory party's friends.

Opencast mining is one of the most environmentally destructive activities in the United Kingdom today. It has immediate effects on the surrounding neighbourhoods and long-term effects on the landscape. It is Labour's view that, in most circumstances, the damaging effects of opencast far outweigh the economic benefits, and nothing that has been said today will change our mind.

The immediate effects on communities have been graphically outlined by many of my hon. Friends, not least by my hon. Friends the Members for City of Durham (Mr. Steinberg) and for Sherwood (Mr. Tipping). The nuisance of noise, blasting, excavation, vibration, dust and the intrusion of heavy lorries all blight local communities, let alone property values. The long-term effects are more difficult to evaluate. Opencast leads to the permanent loss of mature countryside, and although restoration can grass over an area, it cannot bring back the natural contours.

It would be wholly wrong to believe that such concerns are limited to the ranks of city-dwelling green groups, or even to members of the Council for the Protection of Rural England. I was born and brought up in a south Wales valley. Yes, the miners were hard men, but they loved their countryside and knew every path and contour of the mountains. They loved nothing better than walking on the hillsides or digging their back gardens.

That is why opencast mining such as that found on the Selar Farm site near the village of Cwmgwrach in west Glamorgan is such an abomination. It splits the community between those so desperate for work that they are prepared to make the compromise, and those desperate to defend the natural heritage. People should not have to make such choices.

Labour is committed to environmentally sustainable development. While recognising the need for jobs, Labour in government will operate a presumption against opencast mining, and permit it only where it would be to the benefit both of the local community and of the local environment. I hope that, in that aim, we might satisfy my hon. Friend the Member for Bolsover (Mr. Skinner), because I believe that the green-field sites will eventually be excluded. Labour in government will reverse the process, although we shall do so within a comprehensive energy strategy that puts the needs of the nation, of local communities and of the environment into the same equation.

The Minister is the one who must answer questions today. Can he explain how the revised guidance will make any difference? What does he say about the Sharlston application described by my hon. Friend the Member for Normanton (Mr. O'Brien)? Will the provisions in the Environment Bill, inadequate though they are, apply to opencast and the issue of polluting mine water? What is his answer to the question asked by my hon. Friend the Member for East Lothian (Mr. Home Robertson) about Blind Wells?

As my hon. Friend the Member for Barnsley, West and Penistone (Mr. Clapham) asked, will the Minister put on record his response to the idea of bonding? Surely if our holidays can be safeguarded we should be able to safeguard our communities. Surely we cannot allow R J Budge to continue to do what he did in Sheffield, where he put restoration into the hands of a separate company and then allowed that company to go bankrupt.

The Minister must answer those questions today, and we must learn to protect our environment and our communities from the destructive activity of opencast.

12.52 pm

The Parliamentary Under-Secretary of State for the Environment (Sir Paul Beresford): I have had more invitations than a tourist bureau to tour the country, and I would certainly be interested to look at some of the sites. Indeed, I have already agreed to visit some areas.

We had one small interlude with a bit of dramatics—pantomime, perhaps—from the hon. Member for Bolsover (Mr. Skinner), who reminds me of the three ugly sisters in one go. In general, though, there was a balanced debate in some areas with some Members, and there was acceptance on both sides—*[Interruption.]* I must tell the hon. Member for Bolsover that his teeth are still slipping. Positive points were made on both sides and there was recognition, but not by all hon. Members, that there has to be a balance.

I congratulate the hon. Member for Sunderland, North (Mr. Etherington) on initiating the debate and on allowing various Members to put various points. I shall read the report of the debate tomorrow, because I shall not be able to answer all the questions now. Indeed, I shall be able to do no more than touch on some of them.

I understand the environmental concerns that were raised clearly and emphatically by hon. Members on both sides of the House. Letters have come in too. The Government have understood those concerns and taken on board their importance. They have influenced the thinking

[Sir Paul Beresford]

behind the new guidance published last July, which emphasises that development should be allowed only when it can be carried out in an environmentally acceptable way, or where there are overriding benefits, but it is not and should not be the intention to stop all opencast mining. That point has been made by hon. Members on both sides of the House.

I was interested to hear the hon. Member for Sherwood (Mr. Tipping) say that opencast can be done satisfactorily from an environmental point of view. The mess can be cleaned up and we can end up with an acceptable, if not environmentally improved, area afterwards. The aim of the guidance is to ensure that the extraction of coal can take place in accordance with the full and proper protection of the environment and within the principles of sustainable development.

The new guidance was not produced rashly. It was drawn up after extensive consultation with the industry, planners, environmental groups and local communities, and it responds to many of the concerns that were expressed. I recognise that some of what has been said, especially by the hon. Member for City of Durham (Mr. Steinberg), was about areas that were mined before the publication of the new guidelines, and I hope that they will at least help in such cases in future.

The guidelines emphasise a development plan led approach, with tests of environmental acceptability for individual projects. We have taken a tougher approach to the assessment of factors such as noise, dust and visual impact, and there is an annex that addresses each one in turn. We are committed to monitoring the implementation of the guidance through the research programme.

We also recognise the conflicting views on the characteristics of the coal, and intend to undertake research, starting early next year, to examine whether opencast coal has advantageous or disadvantageous characteristics. Some of the arguments have, therefore, already been taken on board.

The development plan led approach ensures that decisions on land availability and use are debated fully and openly at local level. That must offer the greatest certainty for industry about where coal extraction is likely to be allowed. Similarly, communities where coal reserves exist will have a clearer idea about where such activities are likely to take place, and over what period. That in part answers some of the questions that have been asked.

The new approach, which responded to many of the concerns raised, has been generally well received. I understand that the industry is somewhat concerned, and is conscious of the restrictions, but I recognise that there are difficulties on the other side, too. We intend to enforce the restrictions.

Green belt policy has been mentioned. It is true that there is no bar on making planning applications for development in the green belt. Nor do we intend to introduce a presumption against mineral working in green belts. [HON. MEMBERS: "Why not?"] The simple fact is that minerals can be worked only where they are found, and such workings represent a temporary use of the land. Their extraction need not therefore be incompatible with green belt objectives, but applications for mineral working in green belts should be examined carefully, and development should be allowed only where the highest standards of operation and restoration can be achieved.

Nevertheless, MPG3 does not encourage applications for green-field sites but says that priority should be given to proposals involving the clearance of dereliction. If operators wish to work sensitive green-field sites, they will need to demonstrate that real benefits will accrue from their proposals.

Ms Ruddock *rose—*

Sir Paul Beresford: I shall not give way because I have only one and a half minutes left, and I want to touch on a few more questions.

There are some good examples, one of which was cited by the hon. Member for Sherwood. Any hon. Member who happens to know the Rother valley country park, near Sheffield, will know that it represents another example of considerable success.

The importance of development plans has been touched on. That is a key element in meeting the Government's objectives and in ensuring that development and growth are sustainable. In emphasising a planning-led approach, the Government were responding to the concerns expressed that the 1988 guidance was too centrally driven. We believe that a plan-led approach to the supply of land for coal and colliery spoil disposal will provide more certainty for the industry and for the communities in areas where coal reserves exist.

The plans should set out criteria against which individual proposals will be assessed. The guidance makes clear that the criteria should include consideration of employment and other economics effects of the proposals, any environmental improvements or other material planning benefits likely to result, the effect on landscape and local amenity, the effect on the local environment of transporting coal off the site, the cumulative effects of the proposals on an area, the avoidance of sterilisation of mineral resources and the avoidance of unplanned piecemeal working of deposits, which was a matter about which my hon. Friend the Member for Elmet (Mr. Batiste) complained. The Secretary of State has visited my hon. Friend's constituency, and I intend to do so as well. I may not have the stature of my right hon. Friend, but I hope that my hon. Friend will welcome me nevertheless.

Madam Deputy Speaker (Dame Janet Fookes): Order.

Military Training (Dartmoor)

1 pm

Mr. Anthony Steen (South Hams): I am most grateful for an opportunity to discuss Dartmoor national park, a subject close to my heart and close to your constituency, Madam Deputy Speaker.

I raised the subject of Dartmoor in an Adjournment debate in February 1988. I have great a love for Dartmoor. I am a life member of the Dartmoor Preservation Association, and I pay tribute to the association's patron, Lady Sylvia Sayer, who has done more for Dartmoor and the environment than nearly any other person. I also want to recognise the work of my former research assistant Kate Ashbrook. She worked with me on the Dartmoor Commoners Bill, and is now chairman of the Ramblers Association and general secretary of the Open Spaces Society.

My request for a further debate has been prompted by the appalling accident on 18 June this year, when three young children were seriously injured near Great Mis Tor—some 1,700 ft up on the moor and about a mile north of Princetown—when a mortar bomb exploded.

The Worrall family was out enjoying an afternoon in the Dartmoor national park. They are letterbox enthusiasts, as so many of my constituents are. I myself am a letterbox enthusiast. In letterboxing, walkers hide boxes on the moor for fellow wanderers to discover. There are books about letterboxing which show where letterboxes may be placed. In the old days, there were five letterboxes in the most remote parts of the moor.

The idea was that, when one got to a remote letterbox, one left a postcard there. The next person who came to the letterbox would stamp the postcard and take the card back to a proper post box at the edge of the moor. Sometimes, one would not get a card for three to six months, such was the inaccessibility of the letterboxes.

There used to be five small post boxes in inaccessible parts of the moor. Today, there are some 3,000 letterboxes. It has become a huge sport, in which competition is fierce and enthusiasts are determined. Children and adults alike engage in a harmless but amusing pursuit, but it means that people rummage in nooks and crannies and upturn rocks and boulders to find their prize. It is an innocent pastime that occupies a good deal of leisure interest throughout the national park. Many thousands of people are now members of a society for letterboxing enthusiasts.

Unfortunately, in her enthusiasm to try to find a letterbox near Great Mis Tor, Jenny Worrall, aged eight, touched an unexploded mortar bomb and was badly injured. I am pleased to be able to tell the House that Jenny—despite undergoing two operations to remove shrapnel, and having been in intensive care for some time—is now in a general ward in Plymouth, and is making great progress. Her brothers Gary, aged 10, and Ricky, aged 9, have each made a good recovery from their shrapnel wounds.

Apparently, five people have been killed on Dartmoor by mortar shells since 1951, and two civilian injuries have been caused by military activity on the moor as well. The Dartmoor national park was created in 1951 as one of 10 national parks formed principally to provide urban dwellers with open spaces in which to roam, explore and escape from it all. The parks were designed to preserve and enhance the natural beauty of the area, and promote its enjoyment by the public.

The parks are some of the most guarded areas in Britain, and are protected from intrusion by development, noise or nuisance. The question must be asked—how can the military's use of such a national park for live firing with ammunition be consistent and compatible with the purposes for which the park was established?

There are three principal ranges in the Dartmoor national park—Okehampton, Merrivale and Willsworthy. I remember visiting the Willsworthy range with you, Madam Deputy Speaker, where we saw what was being done there. It is true that the number of days on which live firing takes place is reducing. The data that I have received for 1994 are particularly interesting. While the permitted number of days for firing at Okehampton was 112, the range was actually used on only 50 days. On Merrivale range, the permitted use was 173 days, but only 73 days were used. On Willsworthy, 232 days were permitted, but only 108 were used.

It is clear that the actual use of the ranges is about 50 per cent. less. than the permitted use. If that is a general picture, and if similar spare capacity exists across the Ministry of Defence's estates, there must be scope for priority release of training areas on Dartmoor. Surely we must review the need for so many training sites and the cost of those sites if each is under-used to that degree.

In 1993, the Public Accounts Committee highlighted the shortcomings in the management of available Army training land. There was widespread dismay in 1991 when the licence periods for Okehampton and Merrivale were renewed by the Duchy of Cornwall for 21 years, as opposed to the usual seven years. It was as if the Duchy felt that it had no interest in the fact that the national park should be protected from a further extension of military use.

Agricultural set-aside could provide alternative opportunities and locations for military live firing. What is the point of laying off more and more agricultural land from agricultural use if that land is not used for something beneficial? Why should we pound Dartmoor with more and more live fire? Why should there be military training in the wildest and most beautiful countryside in the nation? Why are 13,340 hectares—7 per cent. of the total area of the Dartmoor national park—designated for military use and live firing?

As more people explore the moor, the more likely it is that there will be a recurrence of the tragic accident of 18 June. Dartmoor attracts 8 million visitors a year, and we know that 357,338 people visited the eight information centres in the national park between 1993 and 1994.

Some people believe that, as Dartmoor has been used for military training since 1870—some 80 years before the national park was set up—and that live firing also took place before the national park was established, live firing should take precedence. They believe that it is not relevant that the Dartmoor Preservation Association was formed 13 years after military training started in 1870, and has been opposing live firing ever since.

The conflict is not so much about military manoeuvres and dry training—proper uses of a national park—but firing live ammunition. The conflict between military requirements and public access and environmental considerations has been a matter of continuous controversy. It was investigated in the Nugent report, and in the Sharp report, which noted:

[Mr. Anthony Steen]

"military training and a national park are discordant, incongruous and inconsistent".

It has also been considered in the Edwards report.

I recognise the need to defend the realm and to train our military. I greatly respect the work done in my constituency by the Britannia royal naval college at Dartmouth, HMS Cambridge at Wembury and the marines in Bickleigh. Their manoeuvres involve dry training, firing blanks and physical endurance tests. They do not involve firing live ammunition.

It is interesting to note that the cessation of the cold war seems to have increased the need for live firing in this country. The British Army used to train extensively in Germany, as well as in the United Kingdom. Now that the troops are back from Germany, they are pounding around our national parks in increasing numbers.

Part of the Luneburg training area in northern Germany is a national park. The public outcry was so immense throughout Germany at a national park being used for live firing that the German Government were forced to find an alternative site for that type of training. Live firing no longer occurs on the Luneburg training area.

The House may be interested to learn that no other European country permits live firing on any area within a national park. When the Minister replies, I hope that he will explain why Britain is the only country in the European Union that allows its national parks to be used for live firing.

While the national park authority pursues its principle towards the ultimate withdrawal of military use and reductions in the restrictions imposed upon public access, another accident is waiting to happen. That is inevitable, and the military know it. Perhaps the Dartmoor national park should be renamed the Dartmoor military park.

It is not good enough to say that there have not been many accidents. There are unexploded mortars on many parts of the moor, and more and more are being discharged every week, so it is inevitable that another accident is waiting to happen, especially when that national park provides open access to the public to enjoy the countryside.

It is not good enough for the Government to say that signs are posted to warn people not to pick up items, or they may be blown up. Dartmoor is a national park for the public's enjoyment, not a place of danger where people should guard against everything they do.

I call on the Government to review the necessity for live firing and military training in our national parks. They should carry out a full investigation into whether, as a result of the alternative land use policy that the Government have rightly pursued, new areas of land that were formerly used for agriculture could now be better used for live firing and military training. That is the only way in which another terrible accident can be avoided.

What is required of the British Government? They should follow the lead set by the German Government and find another site, unless live firing could be confined to a specific area of Dartmoor which would pose no danger to the public. Without that commitment, people will continue to stumble across unexploded ammunition, particularly if they are letterboxing and looking in nooks and crevices for the boxes.

Safety procedures could be made more rigorous, but I doubt whether they would solve the problem. Dartmoor should be used to the full, but the more it is used for hunting, hang-gliding, orienteering, or other leisure pursuits, the more likely it is that another accident will happen, however careful the military are.

I pay tribute to the meticulous way in which the military decide where and how they fire, but I fear that, when one is dealing with dangerous explosives, people will inevitably stumble across an unexploded bomb. Any accident is one too many.

I am not suggesting that more rules and regulations should be introduced, or that we should have more registers and more bureaucracy. I do not think that that will help. Better signs might be useful, but not more pieces of paper. That would be nothing but an administrative expense. What is required is to use land other than national parks for military firing, and there is other land available.

The tragic accident of 18 June need not have happened. I hope that the Minister will realise that one of the best jobs he could do, as long as he remains in his post, is to find alternative land, so that live firing—not the military—can be confined to certain areas.

I am grateful to you, Madam Deputy Speaker, for the opportunity to raise this matter.

1.15 pm

The Minister of State for the Armed Forces (Mr. Nicholas Soames): I congratulate my hon. Friend the Member for South Hams (Mr. Steen) on raising this important matter. I should like to begin by expressing my deep regret over the unfortunate accident that occurred during the afternoon of Sunday 18 June on the Dartmoor training area. I obviously wish Jenny and Gary Worral a full and speedy recovery, and I am glad to hear that they are making good progress.

As I told my hon. Friend last night, I have trained as a soldier so much on Dartmoor that I am confident that I could find my way from A to B without a map. The unfortunate incident occurred close to Great Mis Tor, part of the moor with which I am sure that you, Madam Deputy Speaker, are familiar.

It appears that, during a visit to the national park, a family from Ashburton had been engaged, as my hon. Friend said, in the pursuit of letterboxing. While the family had paused for a rest, one of the children apparently picked up a metal object, which subsequently exploded, causing serious stomach and spleen injuries to the girl, aged eight, and shrapnel injuries to one of the two boys who was with her. Our early investigations have revealed that the munition involved was a 2 in mortar round, which was manufactured in March 1942.

As my hon. Friend knows, a military board of inquiry has already been established to investigate the matter, and the full circumstances surrounding the case will not be clear until the board has concluded its investigations.

National parks have accommodated many uses since their creation. They are indeed living, working landscapes. My Department employs about 50 people at Dartmoor and contributes considerably to the local community. I am sure that my hon. Friend will want to bear that in mind when weighing his remarks. I believe

that that should be taken into account when formulating policy for the national parks, and that we should recognise their entirely legitimate uses.

Of course, a balance rightly must be struck between those legitimate uses and the understandable wish of the public to enjoy the peace and tranquillity which those parks offer. Although military training may not conform to the general perception of quiet enjoyment, it is often forgotten that it is that very military presence which has helped to preserve and secure the exceptionally beautiful and varied landscape which attracts so many visitors to the national parks.

On the issue of military training generally, and the use of military parks in particular, my hon. Friend will know that the draw-down of forces from Germany and the introduction of new weapon systems are placing significant demands on our training areas. Some must be used more intensively, and others developed to provide new infrastructure. While use of training land will be maximised, we are of course conscious that this needs to be balanced against the interests of conservation.

It is an often forgotten fact that the Army has had a presence in the national parks since long before they were designated as such. At Otterburn, for example, the military training area was established in 1911, some 45 years before it was designated as a national park. As my hon. Friend rightly said, there has been a military presence on Dartmoor since the early 19th century, again many years before the national park was created.

The military presence in those areas has done a great deal to enhance and conserve the landscape and the natural environment. Salisbury plain is a superb example of an area where the long history of military training has helped to preserve one of the most important archaeological sites in Europe and one of the finest examples of chalk downland in the United Kingdom.

Mr. Steen: Will my hon. Friend give way?

Mr. Soames: If I my hon. Friend will allow me, I must press on.

My hon. Friend mentioned the need for safety in the national parks. It has, of course, long been the policy of my Department to provide the greatest possible degree of safe public access to the defence estate. With that in mind, the Department has reached agreements with the landowners and the Dartmoor national park authority to stop military training on Dartmoor every weekend throughout the year, and to permit unrestricted public access.

Mr. Steen: It is not the miliary use of Dartmoor—everyone understands and accepts that we must have a location in the south-west where military training can go on—but the live firing that concerns me.

Mr. Soames: If my hon. Friend will try to contain himself, I hope to come to that point.

As I have said, the Department has reached extensive agreements to ensure public access. I should like to make it quite plain to the House that we have no intention of altering our policy on public access. We shall continue to encourage it wherever it is consistent with essential operational, security and safety requirements, and with the interests of conservation and of our landlords and tenants.

On Dartmoor, the arrangements for managing military training and public access are monitored and guided by the Dartmoor steering group. That is a non-departmental public body which was established in 1978, following a recommendation in the report by Lady Sharpe on military use of the Dartmoor national park. The steering group is made up of representatives from my Department, the Dartmoor national park authority, Devon county council, English Nature, English Heritage, the Countryside Commission and the owner, the Duchy of Cornwall.

The group's principal aim is to reconcile the requirements of military training, conservation and public access on Dartmoor. At present, it meets annually under an independent chairman, Sir Anthony Barrowclough QC, who is appointed jointly by the Department of the Environment and the Ministry of Defence. Sir Anthony has been extremely successful in enhancing public access and conservation, while at the same time advising on the balance between the military presence and the interests of the national park, the Duchy and, not least, the general public. We are not complacent, despite of his excellent work. As my hon. Friend said, Dartmoor training area has been used for military training for many hundreds of years, and it was used extensively for live firing by British and American forces in preparation for D-day.

The very regrettable incident which occurred recently highlights the fact that not only is there a danger as far as live firing areas on our ranges are concerned, but also some small risk remains in those parts of our training areas which were used as live firing areas in the past—for example, during the second world war. Buried munitions can and do work their way to the surface, and there is always a slight risk, even after clearance, that ordnance may appear on the surface. As my hon. Friend may know, when a blind is fired these days, the most extensive efforts are made to locate it.

At Dartmoor, my officials and local range staff do all they can to alert members of the public to the dangers, and there are a number of measures currently in place with which my hon. Friend is familiar. The live firing areas are clearly defined and marked, and there are warning boards on all main public access routes into them. Periodic sweeps of the training areas are also carried out in order to clear unexploded devices.

However, despite those efforts, there remains the possibility that some ordnance could rise to the surface and remain undetected, even after a full search has been made. That is the case not only on Dartmoor but also, regrettably, throughout the United Kingdom wherever there are likely to be munitions—some of which could have remained undisturbed, and possibly unstable, for 100 years or more.

I am therefore concerned that we do all that we possibly can to draw the potential risks of unexploded ordnance devices to the attention of as many visitors to our training areas as possible. In that respect, my noble Friend Lord Henley, the Under-Secretary of State for Defence, has recently written to the chairmen of nine of the national parks to seek their help in warning members of the public who visit those areas of the dangers which may exist in those parts of the parks used as military training areas.

On the issue of military use of national parks more generally, I can say absolutely that the military training areas which are found in national parks provide essential facilities for military training which could not be dispensed with and could not be found elsewhere. Military

[Mr. Soames]

use of national parks accounts for only about 3 per cent. of their 3 million acres, and live firing amounts to about 2 per cent. of the total acreage.

We carry out live firing and dry training in six national parks: Dartmoor, Northumberland, the Pembrokeshire coast, the Peak District, Snowdonia and the Yorkshire dales. Like the public, the military use national parks for adventure training, orienteering and hill walking.

My hon. Friend asked me to address the question of live firing. It is important that he realises that we will continue to introduce simulation wherever possible. My hon. Friend may not be aware that a new tactical engagement simulation system has been an amazing success. It is extremely expensive, but a number of full sets of equipment have been ordered. The Chief of the General Staff and I watched it being used on Salisbury plain last week. It is truly remarkable, and I believe that my hon. Friend should be encouraged about its use in the future. However, I must emphasise that nothing can supplement or replace live firing.

Having said that, my hon. Friend will be interested to learn that national park designations—with all the constraints they bring for current and future military use—apply to some 30 per cent. of the Army's training estate, which, as he said, is extremely busy. Taking full note of its responsibilities as far as the use of national parks is concerned, my Department has issued a declaration of commitment to the national parks.

It is my firm intention that we will abide by that declaration and formally consult the various national park authorities and the Countryside Commission over any proposal to extend or significantly intensify military activity within a national park. In addition, my Department has signed similar understandings with English Nature and Scottish Natural Heritage, and we will shortly be doing so with the Countryside Council for Wales. We will also continue with the policy of releasing any land that becomes surplus to defence requirements.

My hon. Friend knows that conservation plays a very important part in our strategy for use and management of the land which we occupy within the national parks. My officials maintain regular close liaison with the national park authorities through the conservation groups that are established on military training areas.

Mr. David Jamieson (Plymouth, Devonport): Will the Minister give way?

Mr. Soames: No.

I assure my hon. Friend that we fully understand his strong feelings about the matter, but our national parks are not the same as national parks abroad. National parks abroad are designated solely for the purpose of recreation. Our national parks have always been—it is one of their glories—living, working landscapes.

My hon. Friend knows Dartmoor very well, and I know the Yorkshire dales particularly well. The dales simply would not exist in their present form unless they had been farmed. It is a living, working landscape, and the military are very much a part of it. I know that my hon. Friend would want no less.

I take on board my hon. Friend's points, but I am afraid that I do not agree with his argument as to why we should end live firing. I believe that he is right to point out that there is a danger on Dartmoor of people picking up items which they should be very wary of handling. We will continue to do everything we can to draw the public's attention to those matters.

It is my wish that the public should have as much access as possible in order to enjoy the defence estate. While I believe that there is a great deal for them to enjoy, it is also my firm wish that they be safe—I know that that is my hon. Friend's primary concern also. Unfortunately, the only way that my Department can guarantee that absolutely is by prohibiting access, which is a move in the opposite direction to the path that we are determined to follow.

In light of what I have said, I hope that my hon. Friend will agree that the action we are taking to encourage safe public access and to educate the public about military training is the best way forward. While I regret the recent incident very much, I hope that people will continue to come and enjoy all that the defence estate has to offer. I warmly congratulate my hon. Friend on introducing an extremely important debate at—bearing in mind the background against which it was raised—a very apposite moment.

I acknowledge my hon. Friend's concern for the safety of all who use the parks. I also beg the general public to pay the closest attention to the extensive safety markings and signs that exist in all the national parks where live firing takes place to prevent and enhance their own safety. I thank my hon. Friend for raising the matter, and I hope that he will be reassured by what I said.

Madam Deputy Speaker: Order. We now move to the next topic.

Disability Living Allowance

1.30 pm

Mr. Eric Clarke (Midlothian): First, I should make it clear that my hon. Friend the Member for Monklands, West (Mr. Clarke) will be helping me in the debate. The Minister and I have agreed that he should share the time.

I am grateful for this Adjournment debate, which gives me the opportunity to draw to the attention of the Minister and of the House the injustice to the parents and carers of severely handicapped children under five years of age, and perhaps to do something to rectify the anomaly that the mobility component of the disability living allowance is denied to those parents and carers.

I wrote to the Ministry and received a reply from the chief executive of the Benefits Agency, Ian Magee, who kindly pointed out that, regardless of the compassionate case that I had presented to him, section 73 of the Social Security Contributions and Benefits Act 1992 states:

"Subject to the provisions of this Act, a person shall be entitled to the mobility component of a disability living allowance for any period in which he is over the age of 5".

His letter also pointed out that appeals to tribunals and adjudication officers are to no avail as they must adhere to that clause. I ask the Minister to alter section 73 of the legislation.

I should like to quote as an example the case of my constituent, Rebecca Kennedy, of 17 Attlee crescent, Mayfield, Dalkeith. Today is the 50th anniversary of the election of the Attlee Government, so I hope it is a good omen for the case. Rebecca is 19 months old. Her mother has given me a list of what is wrong with her and I shall read it out.

"Rebecca has got brain damage and cerebral palsy—she has both ataxic cerebral palsy and spastic cerebral palsy. She has epilepsy—myoclonic seizures and petit mal seizures. She is microcephalic, which means her head will not grow to the normal size. She has abnormal swallow, which means she cannot eat and requires suction. She is blind. She has only 1 per cent. vision in her right eye and her left eye does not work properly. Rebecca cannot roll, sit, stand, let alone walk. She cannot use any part of her body. All she can do is lie on her back."

I should add that she is a beautiful young child.

Transport is a problem. Her mother writes:

"To get a bus, I have to take a snug seat wheelchair, a tray for the suction machine, the suction machine itself, all her tubes, a bag carrying nappies, food plus her drugs. The seat of the wheelchair is very large and heavy. You cannot fold it down as it is hard backed for her spine. To fold the frame down you have to take the tray off and the frame is extremely heavy. There is no possible way I could use a bus, even with two adults helping."

She then challenges anyone to come along for a demonstration. The most important part is as follows:

"Rebecca requires 24-hour care. You cannot leave her for a second as she could choke to death on her own saliva. She takes lots of muscle spasms due to her cerebral palsy. In the future, she will be getting an operation which will mean a tube shall be coming out of her belly to feed her through."

That is heart rending and no one has challenged those facts or her condition.

The argument that children under five are not mobile and can be carried physically does not apply to Rebecca. There are many other children in similar predicaments.

Mr. Alfred Morris (Manchester, Wythenshawe): The compelling case that my hon. Friend is making for a change in the rules can be of help to disabled people generally. It would be enormously helpful, as he says, to disabled children, but others too could benefit. My hon. Friend has long shared my concern and that of other right hon. and hon. Members that many people who have Alzheimer's disease are excluded from applying for the allowance because of the very restrictive criteria used. Is he aware that the Alzheimer's Disease Society now estimates that as many as 17,000 people with the disease who are under the age of 65 are being excluded because of those very restrictive criteria?

Mr. Clarke: I have had correspondence with the Alzheimer's Disease Society and there are practical examples in my constituency. As my right hon. Friend knows, we have been trying to form an organisation to look after people in that anomalous position.

I am sure that Rebecca's predicament is repeated throughout the country. Her case should be heard on its merits and should not be written off because she is under five. Rebecca will never be independently mobile and the whole Kennedy family have rallied round to offer her mother and father financial and physical help. The local community of Mayfield has contributed towards the very expensive walker that is needed for a child such as Rebecca. A normal walker that helps children start walking is nowhere near as expensive. Rebecca's grandparents, uncles and the rest of her family have rallied round, as has the local community, and I am proud to represent them. The family have an old car and its upkeep and running costs are a severe burden on the domestic budget.

I understand that lifting the five-year policy will cost the Government money, but if children such as Rebecca were cared for not by their families but by the state, the cost to the country would escalate. I am in no way threatening the Minister. The Kennedys would never contemplate that option as their love and dedication are far too great, but keeping children such as Rebecca in an institution would be more costly than the sums of money that would accumulate if they received an allowance. The figure has been roughly estimated as £30 million. That is not a large amount when one takes into account the budget of the DSS.

I hope that the Minister will override the Treasury. I am aware that the dead hand of the Treasury locks on to every detail of Government spending and that, for some reason, it claws money back, usually not from the fat cats but from the people who most need it.

I ask the Minister to give carer families justice, and to make that justice effective. The Kennedys and others like them need help now. If we wait until Rebecca is five years old—she will not qualify for another three years—her family, who deserve better, will have to carry a heavy burden of increased costs. Of course communities are sympathetic to such cases—no one who knows about the disabilities of this little girl and the burden on her family could be otherwise—but sympathy is not enough. The Kennedys of this world who have dedicated their whole lives to the care of disabled children need help, guidance and financial backing.

My trade union background has taught me to be short, concise and to the point, and I intend to be so. I only wish that many other people in this place were the same. I urge the Minister to drop the five-year qualifying rule in section 73 and to allow those cases to be examined and then to qualify for the mobility component of the disability living allowance. That would give the people caring for such children a morale boost. Even more importantly, it would be a way of showing that the

[Mr. Clarke]

community and the country believe that justice should be delivered to the people who dedicate their lives to the children like Rebecca whom they love so dearly.

1.40 pm

Mr. Tom Clarke (Monklands, West): I thank my hon. Friend the Member for Midlothian (Mr. Clarke) for initiating this debate. I think that the House was impressed by the lucid and sincere way in which he invited us to discuss this case and other relevant matters.

The case raised by my hon. Friend is, as he knows, not unique. I have a number of similar problems in my constituency, as, I am sure, do other right hon. and hon. Members. Like my hon. Friend, I want to pay tribute to the dedication of parents such as those whom he has described—there are many of them—and to their commitment, which is simply colossal. To care for a child with multiple disabilities is hard enough for any parent. For those—I have met some of them—who are themselves disabled, it is doubly difficult. For those who cannot take employment because of the demands of their parental responsibilities, the willingness of the wider community to provide the necessary support is vital to their day-to-day lives.

I know that solutions do not come easily, but our minds are set on seeking to achieve genuine community care. That is why I was delighted to hear my hon. Friend pay tribute to his community. When a child of three or four cannot walk because of a disability, that causes quite enough stress for his or her parents. When moving the child requires more physical effort than a single adult can muster, the stress is clearly redoubled. Such parents know that mobility problems will be with their children for life—for the whole of their lives. So their inability to obtain mobility support is a further source of stress and strain in an already difficult situation.

The Prime Minister has signalled his recognition of the fact that children under the age of five can and should benefit from nursery education. Of course we welcome that. This is therefore surely a good opportunity to review the cut-off at five years of age for access to mobility support—that was the kernel of my hon. Friend's case.

I should be interested to hear from the Minister what new thinking the Government have done on this matter. I imagine that he will not dispute that it can become clear long before the age of five—as in the case mentioned by my hon. Friend—that a child will never be capable of independent mobility. Hence the needs of the family and others must be taken into account in any forthcoming review. I certainly hope that a review is under way.

I am sure that the Minister will not dispute, either, that the purpose of the mobility element of the disability living allowance is to promote independent mobility for those facing long-term disability, or that there can be clear benefits from providing such support at an early age. We have heard of the constant care required in some of these cases, and of the difficulties experienced when moving children with severe disabilities. The issue is the independence of carers as well as of their children. We should try to alleviate, wherever we can, the burdens carried by those who choose to do the caring.

Many voluntary organisations and professional bodies are involved too—Mencap and the Royal Association for Disability and Rehabilitation to name but two. My right hon. Friend the Member for Manchester, Wythenshawe (Mr. Morris) will confirm that the organisations dealing with the 19-plus groups also have a stake in this matter. I visited some of them only last week in Rochdale and Oldham, and I expect to visit more of them before the end of this week. I know that I shall witness there more problems similar to those that we have been discussing today.

Not for a second do I want to make a party point, but the Minister knows that Lord Brian Rix of Mencap and many others draw to our attention time after time in the all-party group on disability—my right hon. Friend the Member for Wythenshawe has played a noble role in it, as have Conservative Members and Members from the smaller parties—problems of the sort identified by my hon. Friend the Member for Midlothian. There are no doubts about their views of those problems.

Parents, especially young parents, are greatly shocked to find, sometimes overnight, that the child whom they were expecting to provide the greatest joy of their lives has severe disabilities that mean that a great deal of caring and understanding on the part of everyone concerned will be needed.

We are not charging towards the Government demanding a reply today, but we do seriously invite them to hold a review—and to involve others in it. We can learn a great deal, not just from the national organisations that I have mentioned, but from local groups. I thought it wonderful that my hon. Friend paid tribute to such groups. He was talking about a 19-month-old child; that suggests to me that people quickly rallied round to meet the family's needs.

I hope that the Minister will respond to my hon. Friend's excellent speech in the spirit in which the debate has been held. I hope that he will consider the case sympathetically, because it was a sensibly made and compassionate one. That is only what I would expect from my hon. Friend the Member for Midlothian.

1.48 pm

The Parliamentary Under-Secretary of State for Social Security (Mr. Roger Evans): I begin by congratulating the hon. Member for Midlothian (Mr. Clarke) not only on selecting an important general issue but on directing our attention to a particularly sad and tragic case in his constituency. He promised to be short, concise and to the point, and he most admirably was.

We cannot listen to an account of the predicament of Rebecca Kennedy without being moved by it. Her position is obviously a most difficult one. Her family are coping admirably in very difficult circumstances, and any appeal for more help for them is bound to stir our hearts. The hon. Gentleman is absolutely right to say that discretion cannot be exercised in this case because of the terms of the statute—that is the basic point. He has therefore come to the House to invite the Government to consider altering the law. I entirely accept that that is a proper way of putting the argument.

We are talking about—I shall briefly put the matter in context—the entitlement to the mobility component of disability living allowance. The allowance was introduced in 1992 for people disabled before the age of 65 and, for them, it replaces the help formerly available through attendance allowance and mobility allowance. People who need frequent help in connection with bodily functions, and who would previously have received attendance allowance,

now receive the care component of DLA at either the middle or higher rate. People who are physically disabled and, as a result, are unable to walk, or virtually unable to walk, who would previously have been entitled to mobility allowance, now receive the mobility component of DLA at the higher rate. New lower rates of both components were introduced to extend help to people who, though disabled, could not previously qualify for the old benefits. Disability living allowance is tax free, non-contributory and non-income related, and is intended to provide help with the extra costs associated with disability.

It is important to understand the principles that at least traditionally have been understood to lie behind these matters. Disability living allowance is not a form of compensation for disability but a personal benefit based on the effect of a disability rather than on the fact that someone has a particular disability or condition. What matters is whether the condition gives rise to care and mobility needs and, if so, how those needs affect the day-to-day life of the disabled person. An award of DLA can trigger eligibility to other benefits—for example, someone who is caring for a disabled person receiving DLA may be entitled to invalid care allowance, as I understand that Mrs. Kennedy is. An award of DLA can also provide access to one of the premiums payable with the income-related benefits such as income support or housing benefit.

As the hon. Member for Midlothian said, the purpose of the mobility component, because it is directed to the effects and dealing with what has to be done to ameliorate those effects, rather than with the condition itself, is to help people to be independently mobile. That point was taken up by the hon. Member for Monklands, West (Mr. Clarke). That, of course, assumes that it would not be right to pay benefit to anyone whose mobility could not be improved. To take an extreme case as an example, someone who is in a coma will never be independently mobile.

Two statutory tests may be relevant. One of them, which we have heard about in detail, is section 73(1) of the Social Security (Contributions and Benefits) Act 1992. That is the age restriction. The second test is section 73(8), which states:

"A person shall not be entitled to the mobility component for a period unless during most of that period his condition will be such as permits him from time to time to benefit from enhanced facilities for locomotion."

The classic example of someone who would not be so entitled is my example of someone whose condition is so severe that he is in a coma. I understand that very few cases are refused on that particular head.

The second matter, and the most important one, is the position of children under five years of age. I have no doubt that the hon. Member for Midlothian appreciates—I saw the right hon. Member for Manchester, Wythenshawe (Mr. Morris) in his place earlier; he has now left the Chamber but he stood in my place in 1975 to advance the argument that I am about to put to the House, but I understand that he has changed his views since—that we are talking about a restriction that goes back all the way to 1975-76.

Children under five were never eligible for mobility allowance which, as I have explained, was the predecessor benefit. That goes back to the introduction of mobility allowance in 1976. It has been argued throughout—that argument has been advanced in the House on several occasions—that the rule should be changed. However, the general view of Governments of all descriptions since that period, nearly 20 years ago, has been that it is best to retain the exclusion.

Research conducted in the mid-1980s by the Office of Population Censuses and Surveys into the incidence and prevalence of disability concluded that mobility allowance was well targeted on people who were severely disabled. That is why, when we introduced DLA, we decided to base eligibility on the higher rate mobility component, largely on the old mobility allowance conditions of entitlement. The OPCS findings also informed the creation of a new lower rate of the mobility component to help people who were able to walk but needed supervision to make use of the facility out of doors, extending help with mobility needs for the first time to people with a mental impairment rather than a physical disability.

The principle that underpins DLA is that awards are intended, in general terms, to be based on the effect that disability has on the care and mobility needs of an individual and not on the disability itself. There is a distinction in the case of children. I appreciate that we can argue about how great the distinction is. I appreciate also that we can argue whether it should apply to three, four or five-year-olds. How much is there an amount of additional care and supervision that the disabled child needs beyond what a child of normal health would require?

We recognise that some young babies need substantially more care than able-bodied children. That is why there is no age limit comparable to the one that we are discussing when it comes to the care component of DLA. We do not accept as a general proposition, however, that the position is quite the same for the mobility component. It is the Government's view that it is not so convincing to talk of a three or four-year-old as being independently mobile. I appreciate the problems, of course, when I hear about the difficulties of getting poor Rebecca Kennedy on to a bus and lifting a particularly heavy snug seat, or whatever it is called, which is part of the wheelchair. I understand that there is a real problem. As a general proposition, however, we say that the mobility component is all about making people independently mobile. That is the great success of it for the older person.

We say that the position of children is different. I recognise that there are cases where it may be—

Mr. Eric Clarke: I understand what the Minister is saying. I am a father of three children and I understand that there is involved a normal upbringing, including going shopping with them. They are mobile, or partially mobile. Shopping outings are part of learning, of meeting other people and being in the community. The same can be said of meeting relations and making journeys to visit them. Why should a person who is disabled stay at home? That is really what the Minister is suggesting should happen.

Mr. Evans: The hon. Gentleman is right. There is an element of degree of mobility. We are saying that, classically, the mobility component is directed towards independent mobility. As the hon. Gentleman said, perhaps with remembrance of his own children, young children of three or four years of age learn to walk about, and the amount of supervision that is required diminishes as they become older. As I have said, it is a matter of degree. At the end, the difficulty for the Government is that we have competing priorities. However heart-rending is the case which the hon. Gentleman moved us with, we

[Mr. Evans]

say that when taking the principle of independent mobility, disabled children under five, given the traditional way of looking at these matters, must be at the lower rather than the higher end of the priority list.

I cannot put it any more firmly than that. There will always be difficult decisions in social security matters when it comes to drawing a line. Undoubtedly, the drawing of lines creates hard cases. It is our view, however—this has been a conventional view of Governments, as I have said, for 20 years—that the proper dividing line, if we have to draw one, is the age of five years in this instance for the mobility component of DLA. That is comparable with school age, when normally children become less dependent on their parents. Before the age of five, it is normal for children to be unable to go about without their parents' help.

Much careful consideration was given to this issue. It was the subject of much debate during the passage of the Disability Living Allowance and Disability Working Allowance Bill, which went through Parliament not that long ago. We do not believe that extending the mobility component to the under-fives can be the principal or leading-head claim on the list of priorities for benefit expenditure when there is so much pressure on resources and so many competing priorities. The hon. Gentleman is absolutely right to say that that would be expensive. He correctly quoted a figure of £30 million a year, which would indeed be the cost of extending the limit from the age of five to two. Although I appreciate that, as he said, it is perhaps not that big a sum when cast in the wider budget of the Department, it is nevertheless a considerable sum.

I apologise to the hon. Gentleman; he has moved our hearts on the issue, but I am afraid that the Government have to take the view that, on competing priorities for social security expenditure, we are not presently minded to alter the law, and it would require statute to do what the hon. Gentleman wants.

Madam Deputy Speaker (Dame Janet Fookes): Order. We must move to the next topic.

Catherine Laylle

2 pm

Sir Nicholas Scott (Chelsea): I am grateful for the opportunity to draw the attention of the House to the case of Catherine Laylle, who holds dual British and French nationality and whose case has been raised in the press on more than one occasion in recent months. The importance of her case is underlined by the presence today of a number of right hon. and hon. Members on both sides of the House who have taken an interest in her case and who, I understand, may wish to intervene, albeit briefly, in this short debate. I will therefore seek to abbreviate my remarks on what is at once a complicated and a highly emotional case.

At the outset, I would like to express my gratitude to my hon. Friend the Minister and to the Lord Chancellor for seeing me and my constituent on this matter and for dealing courteously with my written representations. Alas, despite many efforts, no way has yet been found of satisfying what I believe to be the legitimate grievances of my constituent.

I shall paint in some background to the case. Catherine was 29 years old when he she met her husband, Peter Volkmann, a German citizen. She had a well-paid job in the City of London and he was studying medicine while doing his military service. They married in 1984 and lived in her Kensington flat while he studied and she worked. Their son Alexander was born in the following year.

After a while, Peter Volkmann abandoned his studies, found a job with a German company in London and then transferred his employment to Germany. Ms Laylle left her career in the City and went with her husband to Germany where a second son, Constatin, was borne. Alas, by 1992 the marriage was in difficulty and the couple agreed to separate. An agreement was then drawn up, and verified by a German notary, which provided that Catherine should return to London to live with the children and that Alexander and Constatin should spend much of their holidays with their father.

The arrangement went well until last summer when, four days before the children were due to be returned to Catherine, she received a letter from her husband saying that the children would not be coming back to London. My constituent was understandably devastated by that appalling breach of faith and the negation of a mutual agreement. Her pleas were dismissed by her husband with, I understand, abusive language and much disdain. She therefore took action to make the children wards of court and obtained a High Court order for their return under the terms of article 3 of the Hague convention. That decision was subsequently endorsed by the German court in Verden.

Alas, Catherine's joy was to be short-lived. During the half-hour that she allowed her husband to say goodbye to the boys, the children were abducted by members, I understand, of Peter Volkmann's family. The court order, I am told, empowered the court bailiff, with police support and physical force if necessary, to ensure the return of children to their mother but no one knew the whereabouts of the children.

The bailiff became unavailable and her husband's lawyer likewise. It transpired that her husband gone to Celle, a town nearby with a higher court where he had lodged an ex parte appeal. That court ruled that he could keep the children until the case could be heard. A month later, at a hearing which neither took evidence from Catherine nor interviewed her or her witnesses, the court ruled that the boys should stay in Germany.

It is now a year since my constituent effectively lost her sons. Some would say that she had had her sons stolen from her. She has spent all her savings on legal fees and visits to Germany. She has had much sympathy but little action to redress the situation. Not surprisingly, she is in a state of considerable despair. She feels that a process designed to alienate her children from her has been followed. Her visiting rights have been tightly circumscribed—she gets three hours a month in Germany, under supervision. The current situation is little short of outrageous. Germany and the United Kingdom are senior partners in the European Union. The provincial German court has, in effect, closed its doors to the pleas of my constituent when all she wants is justice.

Since the Celle ruling, Catherine has had access to her sons only under the supervision of German social workers and such access is limited to a few hours each month in her husband's home. On one visit, I understand, her children were removed as she arrived, put into a car and driven away by her husband. That underlines that the situation is nothing short of outrageous.

There are, however, perhaps two openings of which I hope advantage will be taken. First, I understand that the European Commission of Human Rights will be examining her case in its next session, which it will hold very shortly. Catherine is compiling and submitting evidence under three separate articles of the convention. However, as we all know, a considerable period may elapse before any decisions are forthcoming. Meanwhile, she is actively deprived of her undoubted rights of access to her sons.

There is perhaps a second chink of light in this sad case. I understand that at the meeting of European Union Justice Ministers last week, the question of a pattern of law in this area was raised and consideration may be given to the need for fresh legislation. It is my understanding that the French Justice Minister, Jacques Toubon, threw his weight behind the idea. I hope that I can be reassured by my hon. Friend that our Ministers will take the same robust approach.

I would be grateful if my hon. Friend would clarify to me and the House the role of the child abduction unit and say what success it may have had in the case so far. We all know that legislation, especially European legislation, could take a very long time to be put into effect. Catherine is looking for early action by the British and German authorities and I believe that she deserves it.

In conclusion, it is now seven months since Catherine last saw her children. She thought that she would have three hours with them this month but has now been told that their father is taking them on holiday to an undisclosed destination. She will not abandon her sons. She is a fighter and loves her children too much. She believes, rightly in my view, that she is the victim of a gross miscarriage of justice. She has fought long and hard for her rights. The French Government are giving her support. I hope that she can count on the help and support of our Government, too. I trust that the Government will find they have the fullest co-operation of the German authorities as well.

2.7 pm

Mr. Bernard Jenkin (Colchester, North): I rise with the permission of my right hon. Friend the Member for Chelsea (Sir N. Scott) to take part in this short debate about a vital matter.

I wish to raise only one point. My involvement is as a result of a personal approach by Ms Laylle. I wish to draw attention to the fact that both Britain and Germany are signatories to the Hague convention, which in article 1(a) states that it exists

"to secure the prompt return of children wrongfully removed to or retained in any Contracting State".

There seems to be no question that, under British law, the children were wrongfully detained. I ask my hon. Friend the Minister whether he can advise about why the German Government and judiciary are not adhering to the Hague convention to allow international law to take its proper course.

2.9 pm

Miss Kate Hoey (Vauxhall) *rose—*

Madam Deputy Speaker (Dame Janet Fookes): Order. The hon. Lady may speak on the understanding that she has the permission of the right hon. Member for Chelsea (Sir N. Scott) and the Minister.

Miss Hoey: I shall be brief. I congratulate the right hon. Member for Chelsea (Sir N. Scott) on raising this important issue of human rights. I am speaking as someone who has also had some involvement with the case and as the Secretary of the all-party group on child abduction which has worked very hard with Reunite, the organisation that co-ordinates work to help mothers and fathers in similar positions.

In this case, we are dealing with a European country, one which, like us, is supposedly part of the great new European movement which is meant to bring people together. However, the way in which the German Government, the German courts and, indeed, individuals in the German provincial town in question have behaved makes me despair about any future co-operation within the European Union. What has happened is disgraceful.

The Hague convention has been blatantly broken by the German Government. One can imagine what would have happened if it had been the other way around. If the British Government or British courts had behaved in the same way, there would have been a great uproar and much lobbying by the German Government.

I want to ask the Minister exactly what has been done. What pressure has been brought to bear? How high up the political agenda is this case in the discussions about European unity and a single currency? If we cannot help someone like Catherine Laylle get her children back, the road to European union and co-operation with Germany might as well be abandoned now.

2.11 pm

Mr. William Cash (Stafford) *rose—*

Madam Deputy Speaker: Order. Again, the hon. Gentleman may speak with the same restrictions.

Mr. Cash: I speak with the permission of my right hon. Friend the Member for Chelsea (Sir N. Scott) and the Minister. I have known Catherine Laylle for many months now and I have been deeply disturbed about the case since the beginning. I agree with my right hon. Friend.

Justice is to be found, as they say, in the interstices of procedure. The procedures that have been followed and my knowledge of the way in which the case has been conducted in Germany has filled me with a sense of despair. I cannot believe that someone like Catherine Laylle could be so effectively abandoned by the process of justice in Germany. I have made representations to the German ambassador, to other representatives of the German Government in the United Kingdom and to other members of Chancellor Kohl's private office. I have begged them to consider the case.

In the interests of a coherent and sensible Europe, it cannot be right that such situations should prevail. There is no doubt that the matter can and should be resolved in the interests of the children and of Catherine Laylle. I plead with the Minister to consider every conceivable means that can be employed—be it through the Foreign Office or any other channel—to redress this absolutely unforgivable injustice.

2.12 pm

Sir John Stanley (Tonbridge and Malling): I, too, am an officer of the all-party group on child abduction. Ms Laylle has been to see me and given me certain papers. I am most grateful to my right hon. Friend the Member for Chelsea (Sir N. Scott) for allowing me to participate briefly in the debate.

I shall make just two points. First, Ms Laylle is partly of British citizenship; her two children are partly of British citizenship and are also wards of court in Britain. Against that nationality and wardship background, it is indefensible that so far it is the German courts which have reserved to themselves sole and exclusive rights of jurisdiction.

Under the terms of the Hague convention, it is the Lord Chancellor's Department that is the designated "Central Authority" through which the British Government discharges their duty under that convention. I draw the House's attention to the duty outlined in article 7(f), which states that it is incumbent on the "Central Authority"—the Lord Chancellor's Department—to

"take all appropriate measures . . . to initiate or facilitate the institution of judicial or administrative proceedings with a view to obtaining the return of the child and, in a proper case, to make arrangements for organising or securing the effective exercise of rights of access".

I hope that the Minister will explain why the duty clearly placed on his Department under the Hague convention does not yet appear to have been discharged. I hope that he will assure me that it will be discharged in future.

Secondly, in a reply given to me on 26 June the Home Office said:

"Where a child is successfully abducted to a country which is a signatory to the Hague convention, an extradition warrant may be issued."—[*Official Report*, 26 June 1995; Vol. 262, c. *494*.]

It is evident in this case that Ms Laylle's two sons have been successfully abducted to Germany and Germany is a signatory to the Hague convention, so the issue for the Home Office is why extradition warrants have not so far been issued. I hope that the Minister will be able to explain why no extradition procedures have so far been initiated and to tell us whether they will be in future.

2.15 pm

The Parliamentary Secretary, Lord Chancellor's Department (Mr. John M. Taylor): I should like to thank my right hon. Friend the Member for Chelsea (Sir N. Scott) for raising the issue and for his courtesy in giving me advance notice of his line of argument. I also thank my hon. Friend the Member for Colchester, North (Mr. Jenkin) for his contribution, the hon. Member for Vauxhall (Miss Hoey) likewise, my hon. Friend the Member for Stafford (Mr. Cash) and my right hon. Friend the Member for Tonbridge and Malling (Sir J. Stanley).

Towards the end of his comments, my right hon. Friend the Member for Chelsea said that the French Government were giving Ms Laylle support. I must make it clear that, within the proper constitutional limits which define judicial and executive boundaries, the Government have also done and are doing as much as they can.

For the benefit of the House, I shall outline the role which the Lord Chancellor's Department and other Departments play in relation to child custody cases before foreign courts. I shall then deal with the specific case that my right hon. Friend has raised. It might be convenient for the House if I say that the case has thus far been dealt with entirely within the strictures of the Hague convention. However, the House should know that within the Hague convention there is a limited discretion not to return children in certain circumstances. One of those circumstances is when the children themselves have made their views known.

Questions relating to child abduction and custody are governed by the Hague and European conventions of 1980 on this subject. The Child Abduction and Custody Act 1985 enabled the United Kingdom to ratify both conventions. The purpose of the conventions is to prevent international child abduction and to promote the exercise of rights of contact with children.

Mr. Iain Duncan Smith (Chingford): The Minister said that, under the Hague convention, if the children expressed a particular view, that view had to be taken into consideration. Is he saying that if children are kept with one parent for a period of time that does not have a bearing on their eventual view? Children are ultimately fairly malleable and therefore speed is of the essence. Something should have been done earlier. Does he agree that that fact should have a huge bearing on his comments?

Mr. Taylor: As one who practised as a family lawyer for many years, I have to tell my hon. Friend that hardly any two cases are the same. I have no reason to doubt that the German judicial authorities were able sensitively to seek the views of the boys whose ages—*[Interruption.]* I hear comments from behind me, but I suspect that the House would like me to continue with my remarks.

I was referring to the purpose of the Hague convention in preventing international child abduction, and the promotion of the exercise of rights of contact with children. The Hague convention does that by requiring a contracting state to return children who have been wrongly removed from another contracting state in breach of rights of custody. The European convention does so by the mutual recognition and enforcement of orders made in contracting states.

In each contracting state there is an administrative body known as the "Central Authority", which is responsible for administering the work of the conventions. In England and Wales, the "Central Authority" is the Lord Chancellor's Department, and the work is carried out by its child abduction unit, which is part of the official solicitor's office. The unit does all that it can to help in achieving the objects of the convention, which are, essentially, to safeguard and promote the interests of children on an international basis. In doing that, it sends and receives applications for the return of children, or the recognition and enforcement of custody orders. It communicates with parents, lawyers and other central authorities and instructs solicitors to act on behalf of applicants in other countries wanting to take proceedings in England and Wales.

It is not, however, the unit's role to intervene in private law custody disputes that are being contested in foreign courts. Those are matters to be resolved through the courts concerned.

I should at this point mention the part that is played by the Foreign and Commonwealth Office. In general terms, the consular department is responsible for the protection of British nationals overseas. In the area of child abduction, a variety of types of practical assistance can be offered, including providing details of local lawyers who correspond in English and who can provide background information on the family law system in the relevant country; approaching the local authorities for help in tracing the child, where appropriate; drawing the local authorities' attention to any English court orders that exist, and encouraging the speedy resolution of any legal proceedings; and providing informal help with matters such as the translation of documents and finding cheap accommodation.

I hope that my right hon. Friend will forgive me for going into detail about the Government's responsibilities in such matters, but I consider that a clear understanding of the extent and limits of those responsibilities is vital in looking at the unfortunate situation that his constituent, Ms Laylle, is in.

As my right hon. Friend has explained, his constituent and her husband, who is of German nationality, separated in February 1992. Their sons, aged 8 and 10, have British, French and German nationality. Ms Laylle and her husband entered into a separation agreement with the assistance of a German lawyer, which included the provisions that "parental custody" of their two sons should be entrusted to Ms Laylle, that she and the children should live in London, and that the father should have generous contact with the children. That arrangement was a written agreement between the father and mother and not a judicial order giving custody to Ms Laylle. The children left England on 6 July 1994 to spend the summer holidays with their father.

On 22 August, the father wrote to Ms Laylle to say that both boys had said that they wanted to live and go to school in Germany rather than England, and that he had applied for the right to keep them.

On 26 August, Ms Laylle applied to the child abduction unit for the return of the children under the Hague convention on the basis that they had been wrongfully retained away from their habitual residence in breach of her rights of custody. She also applied to the high court on an ex parte basis for a wardship order, and that was granted on 30 August. The application under the Hague convention and the wardship order were transmitted to the German central authority, and were referred to the family court at Verden, which considered the matter on

[Mr. Taylor]

20 September. The court ordered that the children be returned, but the father successfully appealed to the higher regional court. Ms Laylle engaged lawyers in Germany to represent her.

It is important at this point for me to emphasise that proceedings under the Hague convention do not determine custody issues but are intended to restore children to the jurisdiction of their habitual residence so that decisions about their future can be made there. This reflects a generally accepted principle of private international law that decisions about the future care and welfare of children are best made in the country with which they have the closest connection. However, the convention acknowledges that there may be circumstances in which children should not be returned, and therefore gives courts a limited discretion to refuse to make a return order.

One of the reasons for refusing a return order is that the child concerned objects to be returned and has reached an age and degree of maturity at which it is appropriate to take account of his or her views. It was on that ground, after talking to the children, that the higher regional court upheld the father's appeal against the return order made by the family court in Verden. Ms Laylle has complained that she was not allowed to give evidence or speak at that hearing or present her own psychological evidence in respect of the children. It is generally accepted that proceedings under the Hague convention are summary in nature, and oral evidence is discouraged. In this instance, the only grounds of the father's appeal were the wishes of the children, and for that reason the main concern was to discover the children's wishes.

The issue of custody then came before the family court at Verden on 23 February this year. The decision of the court, given on 30 March, was that the children should be placed in the "temporary" custody of their father, and that Ms Laylle should be allowed limited contact with them: specifically, there was to be no contact for a period of three months, following which supervised contact at the father's home was ordered, initially for three hours a month, and from October 1995 for one day a month. Ms Laylle was represented by her two German lawyers at the hearing on 23 February and received assistance from the British consulate in attending the hearing. I understand that the wardship proceedings in this country were discharged on Ms Laylle's application on 4 April.

During the period leading up to the hearing on 23 February, the child abduction unit provided Ms Laylle with as much assistance as it was able within the limitations of its statutory role. Following the court's decision on 30 March, a further meeting took place between the unit's solicitor and Ms Laylle, at which it was explained that there was no basis on which the Government could intervene on the general grounds that German proceedings relating to children are intrinsically unjust or improper.

The procedure in such cases in Germany is substantially similar to our own. In family proceedings in Germany, both parents can be professionally represented, and the judge, who is independent of the Government, can call on the services of the local youth court to provide a report on the children and see them. In making a decision, he or she has, like a British judge, wide discretion in weighing up all the circumstances of the case. However, the unit's solicitor undertook to write to Ms Laylle's lawyers in this country and in Germany to ask whether in their view the order was unusual or represented the sort of order that a German court might make in a case such a this; whether there were any grounds for appeal on the basis that the judge was plainly wrong or wrongly exercised her discretion; and whether there was any material irregularity in the proceedings, which could form the foundation of a formal complaint or an application to set aside the judgment.

A separate point which had by this stage arisen was that divorce proceedings had been instituted both in this country by Ms Laylle and in Germany by her husband. It appears that the proceedings begun by Ms Laylle were first in time. However, I understand that Ms Laylle's husband has applied for a stay of the English proceedings, and that a jurisdictional dispute exists about the competence of the family court at Verden to entertain the divorce proceedings in Germany. This is a matter that must properly be resolved under German law; it would not be appropriate for the British Government to intervene in the process.

It is understood that there are grounds for appeals against the court's decisions on custody and contact, and that appeals have in fact already been lodged against both decisions. It is also understood that the decisions made about the children to date are of an essentially temporary nature pending the final resolution of the divorce proceedings, and that the appeals against those decisions will be based on evidential matters before the court and not on any fundamental defect of procedure or denial of process.

I also understand that Ms Laylle has a case against Germany pending before the European Commission of Human Rights in respect of her situation. Naturally I am unable to comment on these proceedings, and we must await the outcome.

Thus, while I sympathise with the difficulties in which Ms Laylle finds herself, I do not consider that there is any more substantive assistance that the British Government can provide. It is particularly important to recognise that the children have British, French and German nationality. The matters at issue are the subject of appeal under the German legal system, and the outcome of those appeals must be awaited. As I have said, there is no basis in procedural terms, in what is essentially a private law dispute, on which the British Government could properly intervene.

It being half past Two o'clock, the motion for the Adjournment of the House lapsed, pursuant to Order [19 December].

Oral Answers to Questions

FOREIGN AND COMMONWEALTH AFFAIRS

Middle East

1. **Mr. John Marshall:** To ask the Secretary of State for Foreign and Commonwealth Affairs if he will make a statement about the middle east peace process. [30893]

5. **Mr. Burden:** To ask the Secretary of State for Foreign and Commonwealth Affairs what assessment he has made of the prospects for peace in the middle east. [30899]

The Secretary of State for Foreign and Commonwealth Affairs (Mr. Douglas Hurd): There are encouraging signs of progress between Israel and Syria, most recently during talks in Washington between their chiefs of staff. We hope that the Israelis and Palestinians will soon agree on arrangements to hold elections in the Palestinian territories and redeploy Israeli forces. I hope that that will happen by the new target date, 25 July, agreed by Mr. Peres and Mr. Arafat. We and our European Union partners are preparing to co-ordinate international observation of the elections and to provide 300 EU observers. Negotiations between Israel and Jordan on a series of agreements to follow up their peace treaty are on track.

Mr. Marshall: I thank my right hon. Friend for his answer. May I also thank him for the skill, dedication and charm with which he has undertaken his duties for a number of years? It must be a matter of great satisfaction to him that he leaves the world a safer and freer place than it was in 1989.

In view of the territorial concessions made by Israel, and as several of her neighbours have received an official royal visit, is it not high time that there was an official royal visit to the state of Israel?

Mr. Hurd: I am grateful to my hon. Friend, but I hope that he will not exaggerate.

My hon. Friend has raised an important point. There are currently no plans for a state visit to Israel, but there is no bar to such a visit in principle. His Royal Highness Prince Philip was there last year, and we warmly welcomed the President of Israel when he was here on VE day.

Mr. Burden: I welcome yesterday's announcement that a date has been agreed for confirmation of arrangements for self-rule between Israel and the Palestinians, but does the Foreign Secretary share my concern—which, I believe, is shared by many—about Israel's apparently ambiguous attitude to peace negotiations? It appears constantly to demand more concessions from those whose lands it occupies, while at the same time jeopardising the peace process by its attitude to settlement building and the building of facts on the ground in Jerusalem.

Does the Foreign Secretary agree that the help that the international community wishes to give the peace negotiations could be aided by our making it clear to Israel that we expect all parties to abide by all United Nations resolutions concerning the middle east?

Mr. Hurd: No one doubts that the process is difficult, but both Israel and the Palestinians have set their hand to it, and it is important that it should not lose impetus. The next step is to proceed with the redeployment of Israeli forces and the holding of Palestinian elections. It will be followed by a series of further steps that will have to end with a resolution of the question of Jerusalem.

Sir David Madel: May I ask about the economic policy aspect of the peace process? What kind of projects will the British Government support to help the Palestinians?

Mr. Hurd: There are a good many projects and our aid totals £83 million for the four years 1994-97. The projects include technical assistance to the police, involving vehicles and communications, training of nurses in Gaza—I have seen for myself how important that is—hydrology training and improving health care in Jericho.

Mr. Murphy: I am sure that the Secretary of State will welcome, as all hon. Members will, yesterday's resumption of peace talks between the Israelis and the PLO, but does he agree with a recent commentator that unless this country and its allies provide proper and tangible aid to Gaza and the west bank, the lack of jobs and the lack of cash in those regions will provide Hamas with its best recruiting sergeant?

Mr. Hurd: We are doing that. We were among the first to do so, even when Mr. Arafat and the PLO had no proper accounting procedures in place. We pressed them on that. Eventually, they got procedures in place and we started to pay and to help the police. With our European partners, we have been among the first to give precisely that practical help for the reasons that the hon. Gentleman stated.

European Monetary Union

2. **Mr. Duncan Smith:** To ask the Secretary of State for Foreign and Commonwealth Affairs what study his Department has made into the economics of EMU; and what assessment he has made of the strength of argument in favour of the formation of a single currency. [30895]

Mr. Hurd: The economics of economic and monetary union are a matter on which my right hon. and learned Friend the Chancellor of the Exchequer advises the Cabinet. It is not possible to assess fully today the pros and cons of a single currency that might be introduced in 1999. I am encouraged by signs that elsewhere in Europe an increasingly hard-headed debate about the implications of a single currency is under way.

Mr. Duncan Smith: May I begin by offering my right hon. Friend my sincere best wishes for his future retirement and extend a warm welcome to the Back Benches? I know he will make a huge contribution from here as he has on the Front Bench. Furthermore, as there is such inconsistency about the economic rationale for going into a single currency, does he agree that this country should not endeavour to do so unless a massive, overwhelming economic rationale exists in favour of it?

Mr. Skinner: Go ón, it is your last turn—tell him.

Mr. Hurd: The hon. Gentleman is trying to excite me.

I have always found my hon. Friend a most courteous and constructive critic and I am grateful to him for that. I cannot add very much to what the Prime Minister and the Chancellor of the Exchequer have said on this subject. The Prime Minister has shown over and again his wariness—

that is the phrase that he rightly uses—[HON. MEMBERS: "Weariness"] No, W-A-R-I. My right hon. Friend has shown not only his wariness on the substance of this question, but his firm belief that Britain should be part of the preparation. That is why, over and again, he has made clear his view that we should retain the freedom that he gained for us at Maastricht. Of course, a single currency would be an important step. It would have important political and constitutional implications and we would have to weigh the economic arguments to which my hon. Friend refers. The whole point of the case from the Conservative Benches is that that weighing of the economic advantages and disadvantages cannot be done at this time.

Mr. Winnick: Should we not learn from the experience of what some people—certainly myself—would say was the nightmare of having been in the exchange rate mechanism, when conventional wisdom argued that we should go in and we saw what happened? Does the Foreign Secretary accept that there is a distinction to be made between the xenophobia that may be found among his own Back Benchers and those of us who believe, as he has just said, that a genuine constitutional issue is involved: a single currency would undoubtedly take away this country's right to determine interest rates and other issues, which should be in the competence of the Government and the House of Commons? There is bound, therefore, to be concern about the possibility of a single currency.

Mr. Hurd: The hon. Member can address that point to his Front-Bench team. Of course, this is an important issue and it has political, constitutional and economic aspects. We do not believe that the pros and cons can be fully assessed in 1995.

Mr. Garel-Jones: Is my right hon. Friend aware that, when historians look back at his period of office in the Foreign and Commonwealth Office, and specifically Britain's position on economic and monetary union, they will see that during that time not only did we begin to tidy up what I suppose one might call the excesses of the Single European Act but the foundations were laid of a European Union of nations, in which Britain will feel comfortable, and at the centre of which it will find its place?

Mr. Hurd: I am grateful to my right hon. Friend. His personal example has encouraged me to follow him into an active and eager life on the Back Benches. As he has raised this point, may I take the opportunity to thank and congratulate any of the present Foreign Office Ministers of State who may be promoted or moved during the afternoon.

Sir Russell Johnston: Nevertheless, the tone of the Foreign Secretary's reply suggests that he would agree that opposition to a single currency in a single market derives more from theology about sovereignty than economic common sense. Does he recognise that if the Government continue to pay too much attention to all these crazy Europhobes, sterling could well be left with about as much room for manoeuvre as the Luxembourg franc?

Mr. Hurd: The hon. Gentleman misunderstands the position. Thanks to the Prime Minister's efforts at Maastricht, we are in a remarkably advantageous position. That is seen clearly—all too clearly perhaps—by our partners on the continent. We are able to take a full part in preparing this project without being committed to joining it. It is not often in life that we can have our cake and eat it, and the hon. Gentleman should rejoice.

Mr. Dykes: What is wrong with a single currency in a true single market?

Mr. Hurd: I do not think that anything is wrong with a single currency in a true single market. I believe that a single market can exist without a single currency and it follows that the merits—the pros and cons—of a single currency need to be carefully weighed when and if the choice comes before us.

Mr. Robin Cook: May I offer my good wishes to the Foreign Secretary for his retirement and the appreciation of the House that he is answering questions today in what appears to be overtime in his post?

As this will be the right hon. Gentleman's last opportunity at the Dispatch Box, may I tempt him to show the same robustness as he showed last week when he described the views on the single currency of the challenger to the Prime Minister as a "Right wing extremist agenda"? Was he at all surprised that well over a third of Conservative Back-Benchers voted for that right-wing extremist agenda? Did that fact confirm him in his good sense in opting for retirement rather than continuing to pretend that any Conservative can represent Britain in Europe when half his party wants to be rid of Europe and three quarters of Britain wants to be rid of his party?

Mr. Hurd: I lost the hon. Gentleman in the last bit. I was trying to find a way of paying him a compliment as the third shadow Foreign Secretary with whom I have had the honour to match. They have all had their pluses and minuses, but I have found the hon. Gentleman courteous. Normal courtesies between us have been performed—and perhaps from time to time exceeded.

The extremist agenda turned out not to be quite so rigorous and extreme as I had expected, and I think that that is good. There was a thoroughly cool-tempered contest for the leadership of my party. I think that we all feel the better for it, particularly those of us who backed the winner.

Argentina

3. **Mr. Jacques Arnold:** To ask the Secretary of State for Foreign and Commonwealth Affairs if he will make a statement on Britain's relations with Argentina. [30897]

Mr. Hurd: Our co-operation with Argentina has developed rapidly since we restored relations in 1990. Trade and investment are growing fast. Our exports have risen by 165 per cent. since 1991, and we have made agreements on visa abolition, air services, judicial co-operation against drug trafficking, investment promotion and fisheries.

We disagree over the Falklands and South Georgia. Argentina continues to assert her claim to sovereignty, and we remain firmly opposed to any discussion on sovereignty. The Falkland islanders want to remain British and we will continue to uphold their right of self-determination.

Following his recent election victory, President Menem will be inaugurated for a second four-year term next Saturday. We wish him well and look forward to strengthening our relations further on this basis.

Mr. Arnold: Is not President Menem to be commended for his initial courage in deciding to put the matter of the islands and the dispute between our two countries to one

side under, as he said, an umbrella? Have we returned to the level of trade and investment enjoyed with Argentina before that dispute? What specific measures are we taking to strengthen further trade with that country, which is very much based on good will?

Mr. Hurd: I shall send my hon. Friend the comparative figures. We are certainly building up our trade fast and rebuilding those assets and investments in Argentina which, in fact, we had to sell to win two world wars. The British position in Argentina is being rebuilt fast. That certainly owes something to the policies of President Menem, as my hon. Friend said, and a good deal to the energy of British business men, including those working in the newly privatised utilities. We and Her Majesty's ambassador in Buenos Aires are doing our utmost to encourage that energy.

Mr. Tony Banks: Would I be correct in assuming that relations between Her Majesty's Government and the Argentines are considerably warmer than relations between Her Majesty's Government and the hon. Member for Gravesham (Mr. Arnold)? I entirely support the rights of the Falkland islanders to remain British, but would it not be appropriate to encourage a limited amount of tourism between Argentina and the Falkland Islands?

Mr. Hurd: I think that that is something which the islanders have to work out for themselves. I have often told the Argentine Foreign Minister that I am not prepared to start leaning on the islanders about the question of contacts with Argentina. There has been some movement, an example of which is the small but very sensitive matter of Argentine next of kin visiting newly discovered war graves on Pebble island. It has been agreed that they will be able to stay the night there. Such movement may occur, but really it is something that islanders have to work out for themselves.

Mr. Wilkinson: May I pay my warm, personal tribute to my right hon. Friend's unfailing courtesy and professionalism, which is of the old, classical school, if I may say so?

Will my right hon. Friend use his influence to ensure that a Cabinet Minister attends the inauguration of President Menem—not least as an expression of good will—to maintain the momentum for the crucial oil and natural gas talks around the Falkland Islands?

Mr. Hurd: I am grateful to my hon. Friend—another invariably courteous critic. I would have liked, and I think that we would all have liked, a Cabinet Minister to attend President Menem's inauguration. That was in hand, but certain rearrangements have made it difficult to carry through. I am glad that Lady Trumpington will be going. She has proved herself a doughty and highly successful representative of this country on many such occasions.

Mr. Trimble: Is it realistic to work to strengthen relations with Argentina while it continues to seek to advance its territorial claim? Are we not in danger of repeating the mistake made before 1982 of making the Argentines think that our relations with them are more important than the Falkland Islands and thus encouraging an invasion? Should we not make it clear to Argentina that there cannot be strengthening of relations and developing of trade unless it adopts a more realistic attitude?

Mr. Hurd: No, we have taken a different course, and with the full approval of the islanders. The islanders need the agreements that we have struck with Argentina about fish and we are now seeking—we have not found it yet—a way of agreeing with Argentina on the exploitation of oil. Both those things are very much in the interests of the islanders if they can be achieved.

The policy that we have been following—I think that it has been very successful—is to say to the Argentines frequently and very clearly: "We do not agree about sovereignty. We are not prepared to discuss sovereignty, but if you are willing to put that aside, we will be perfectly willing to develop trade, investment and other contacts." The visit of the Duke of York last year and the visit of the president of the Argentine Senate this year are illustrations of the good working of this policy.

European Policy

6. **Mr. Dykes:** To ask the Secretary of State for Foreign and Commonwealth Affairs what plans he has to present new proposals for European Union developments in the Spanish presidency period which begins on 1 July. [30900]

The Minister of State, Foreign and Commonwealth Office (Mr. David Davis): May I seek your indulgence, Madam Speaker, to add my comments with respect to the last appearance at the Dispatch Box of my right hon. Friend the Foreign Secretary? I express my personal sadness at that. It has been a great privilege and, indeed, an education to serve under him and I look forward to his continuing to keep me in line from the Back Benches.

We shall continue to press for developments that will increase the competitiveness of European industries, create jobs and secure a better return from the application of Community resources.

Mr. Dykes: I thank my hon. Friend for his remarks about our right hon. Friend the Foreign Secretary which, I am sure, will be greeted with acclaim in all parts of the House.

As we are back at the heart of Europe after yesterday's dramatic events, does my hon. Friend agree that we can now set aside the corrosive British disease of "pas trop de zèle"—excuse me for using the French words, Madam Speaker—which should be translated, in the words of the headmaster of my right hon. Friend the Foreign Secretary's old school, as, "I distrust enthusiasm of any kind"? Does my hon. Friend agree that we can now switch to Ministers appearing to sound enthusiastic about Europe, as they do about other Government policies?

Mr. Davis: My hon. Friend and I sometimes see the same coin from opposite sides. There is no lack of enthusiasm among Ministers for the Europe that we want to create—a Europe of free markets, a Europe of free movement and a Europe of nation states.

Mr. Watson: We are now in the Spanish presidency and the Minister will be aware that one of the outstanding issues relating to Spain is the EU-Morocco fisheries agreement. Will he give an undertaking that the Government will include in those discussions firm statements to the Moroccan Government that they must give way on the outstanding referendum on Western Sahara before any accommodation will be given to them in terms of renewal of the fisheries agreement?

Mr. Davis: These matters are not linked, but we will certainly not do anything to prejudice the question of Western Sahara.

United Nations Resolutions (Iraq)

7. **Lady Olga Maitland:** To ask the Secretary of State for Foreign and Commonwealth Affairs what assessment has he made of Iraq's compliance with United Nations resolutions. [30901]

The Minister of State, Foreign and Commonwealth Office (Mr. Douglas Hogg): Iraq has consistently failed to comply with its international obligations as set out in the relevant UN resolutions. We particularly look to Iraq to fulfil the requirements relating to weapons of mass destruction, to account for the Kuwaitis detained after the Gulf war and to respect the human rights of all Iraqis.

Lady Olga Maitland: I thank my right hon. and learned Friend for his reply. Does he agree that it is outrageous that four years after the ending of the Gulf war the Iraqis are still holding 625 missing Kuwaitis and prisoners of war? More than that, does he agree that the Iraqis are still prevaricating, weaving and dodging whenever there is an opportunity to try to get them to discuss this important issue? Is my right hon. and learned Friend aware that the Iraqis failed to turn up to a key meeting on the Kuwait border on 18 June? Will he ensure that the Government make strong representations on the matter when the coalition Governments supporting the Gulf states meet the Iraqis in Geneva on this issue?

Mr. Hogg: My hon. Friend makes an important point which troubles us greatly. There are 609 files on missing Kuwaitis; 168 have been the subject of discussion and in 70 cases Iraq has prevented an intermediate result. I very much regret that the most recent planned meeting did not take place. The International Committee of the Red Cross has invited the parties to a tripartite commission meeting in Geneva. I very much hope that all the parties attend.

Mr. Dalyell: Is it not within the knowledge of the Foreign Office that Russian, French, German and Italian, not to mention Greek, business men are busy in Baghdad putting together contract after contract? Is it not a pity that as most of the Iraqi decision makers were educated at British universities, we are not rethinking this whole area of policy?

Mr. Hogg: I know that the hon. Gentleman, understandably, is deeply concerned about the plight of the Iraqis. But he will forgive me if I point out that under United Nations Security Council resolution 986, Saddam Hussein was given the opportunity to export oil to the value of $2 billion every 120 days, so long as he used the proceeds for humanitarian purposes—although the operation would have been subject to various constraints. He chose not to do so, and that is the primary reason why we see the privation in Iraq now.

Nuclear Test Ban Treaty

8. **Mr. Cohen:** To ask the Secretary of State for Foreign and Commonwealth Affairs what progress is being made towards the achievement of a comprehensive nuclear test ban treaty. [30902]

Mr. David Davis: Good progress is being made in the negotiations for a comprehensive test ban treaty, especially in areas such as scope and verification. Much remains to be done, but we remain committed to work for the conclusion of a treaty before the end of 1996.

Mr. Cohen: Should not the Government have an opinion on the French nuclear tests—one of opposition? Are the above-ground non-nuclear experiments, lasers and computer simulations proper safeguards, as the Minister of State for Defence Procurement said yesterday, that will enable Britain to give a commitment not to resume tests? If so why, in another place on 20 June, did Lord Henley, on behalf of the Government, refuse to rule out the use of the Nevada test site for further British tests? Do the Government suspect France and other nuclear states of trying to kill at birth the comprehensive nuclear test ban treaty?

Mr. Davis: The hon. Gentleman is showing his Labour-CND roots, I am afraid. We recognise and understand the concern that the French decision has caused in some countries, but the decision is one for the French. It is not for us to comment on French requirements and how they decide to meet them. Our principal objective is the early conclusion of an indefinite comprehensive test ban treaty, and the French commitment to that has been reaffirmed by President Chirac. Our policy on testing remains unchanged. We are actively working for a comprehensive test ban treaty, and we have said that we shall not seek to test while the United States moratorium remains in force.

Mr. Colvin: Does my hon. Friend agree that, following the collapse of the Soviet Union and the growing risk of proliferation of weapons of mass destruction and their delivery systems, the nuclear deterrent is more important today than ever? Does he further agree that for a nuclear deterrent to work, and to be seen to work, it has to be tested? What scope is there for the United States, the United Kingdom and the French to join forces to develop credible simulation tests, therefore avoiding the need for explosions? Will my hon. Friend confirm that following the introduction of Trident, and bearing in mind the foreseen abandonment and scrapping of the free-fall bomb, we shall have fewer nuclear warheads in our armoury than before?

Mr. Davis: I start by confirming the latter point. My hon. Friend is right; since 1970 there has been about a 59 per cent. reduction in explosive power, and reductions in warheads too. As for the need for a deterrent, my hon. Friend is right to say that the world is still a dangerous place, and the first concern of any British Government must be to maintain the security of the British nation. Everything that we do concerning a comprehensive test ban treaty, and our attitude to testing in general, takes that into account and works with it as our primary objective.

Mr. Tony Lloyd: Does the Minister accept that the condemnation that the French Government have rightly received from nations friendly to us such as Australia and New Zealand is mirrored by criticism from the French socialist party and from most people in France? Does he also accept that a comprehensive test ban treaty is the price that the nuclear powers must pay for an extension of the non-proliferation treaty? That was the bargain that we undertook. Does the Minister seriously believe that the world, especially the non-nuclear powers, will accept that there is a basis for trust when France has announced plans to test, China has tested and even the United States now talks about resuming a testing programme?

Mr. Davis: I am afraid the hon. Member for Leyton (Mr. Cohen) is not the only one showing his Labour-CND origins. I repeat that our principal objective is the early conclusion of an indefinite comprehensive test ban treaty

and, as I have also said, the French commitment to that has been reaffirmed by President Chirac. That is the most important point, and that is what we put at the top of our agenda.

Angola

9. **Mr. Lester:** To ask the Secretary of State for Foreign and Commonwealth Affairs if he will make a statement on the current position in Angola. [30903]

The Parliamentary Under-Secretary of State for Foreign and Commonwealth Affairs (Mr. Tony Baldry): During a recent visit to Angola, my right hon and noble Friend Baroness Chalker was assured by both parties of their commitment to a successful outcome to the peace process.

Mr. Lester: May I preface my question by giving my personal thanks to my right hon. Friend the Foreign Secretary on behalf of the Select Committee on Foreign Affairs, of which I am the longest-serving Conservative member? I am very grateful for the relationship that we have had in terms of the work that the Committee has sought to do for the House.

Does not the case of Angola need to be carefully analysed? The UN operation during the original election was relatively underfunded and underworked and the consequences of that included a breakdown of the proposals, the loss of many hundreds of lives and a greater cost of trying to put together a destroyed and war-ravaged country.

Mr. Baldry: My hon. Friend is right that there are many lessons to be learnt from what has happened in Angola. I am glad to say that the May meeting between President Dos Santos and Dr. Savimbi has given fresh impetus to the peace process. There is still much to be done, but the prospects for peace are brighter now than at any time since the elections in 1992. The House should remember that the United Kingdom is doing much to support the peace process. In particular, since May we have provided some 645 troops from a UK logistics battalion, who are doing excellent work in helping UN forces to deploy in Angola.

Mr. Grocott: Does the Minister agree that if the peace process is to succeed after many years of the most devastating war there is an urgent need for an international programme of reconstruction? Has the UN set a date for its conference on reconstruction? If not, what steps are the Government taking to bring about that conference?

Mr. Baldry: We have provided about £30 million in emergency aid since June 1993, and we are encouraging longer-term development work through the Angola development fund which is dealing with long-term reconstruction. We are trying simultaneously to help the UN troops and, through the Angola development fund, to help in the longer-term reconstruction.

Thailand

10. **Mr. Heald:** To ask the Secretary of State for Foreign and Commonwealth Affairs if he will make a statement on UK relations with Thailand, including trade and investment. [30904]

Mr. Baldry: Relations are excellent. Trade and investment are thriving. Our visible exports to Thailand last year were up 14 per cent. at £746 million. We are the leading European investor and the fifth largest overall. Contacts between our countries are extensive. My right hon. Friend the Member for Eddisbury (Mr. Goodlad) visited Thailand at the end of May to underline the progress in bilateral relations and to mark the reopening of a British consulate in Chiang Mai.

Mr. Heald: Given the huge potential for trade and investment in all quadrangle countries, but particularly Thailand, will my hon. Friend give more details on the purposes of reopening the trade consulate at Chiang Mai and the objectives of that consulate? Does he feel that there is now adequate trade representation in that region?

Mr. Baldry: Helping British companies to win business overseas is the Foreign Office's single largest activity overseas. The Chiang Mai consulate will reopen as a trade-focused mission, and forms part of a worldwide strengthening of our commercial effort. The decision to reopen that post is a reflection of our growing commercial interests in Thailand, which have more than quadrupled in the past decade. Visible exports are now worth nearly £750 million a year, and it is for that reason that we have opened the new trade office which, it is hoped, will expand business into northern Thailand, a region of great economic potential.

War Victims (Compensation)

11. **Mr. Campbell-Savours:** To ask the Secretary of State for Foreign and Commonwealth Affairs what recent discussions he has had with his Japanese counterpart on the compensation of war victims. [30905]

Mr. Hurd: I discussed the position of the former British prisoners of war and civilian internees with my Japanese counterpart when we met in Halifax on 16 June.

My right hon. Friend the Prime Minister met a group of former prisoners of war and internees on 21 June. He emphasised the Government's deep respect and sympathy for those who suffered as prisoners of the Japanese. We will continue contacts with the Japanese Government to try to resolve this long-standing problem.

Mr. Campbell-Savours: Is it not perverse and unacceptable for one of the richest countries in the world—a country with an immense tradition and cultural heritage—to equivocate on an apology to those people who were so gravely abused during the second world war and to duck and weave on the question of compensation for war victims? Why do not the British Government really lay themselves on the line in discussions with their counterparts in the Japanese Government?

Mr. Hurd: On the legal point, the hon. Gentleman knows the position. In 1951, both the Labour and Conservative Governments settled that question, so far as the law is concerned, in the San Francisco treaty of that year. So far as Governments are concerned, we are not talking about a legal case, although there is a case brought by former prisoners of war in the Japanese courts.

When my right hon. Friend the Prime Minister visited Japan in 1993, the Japanese Prime Minister expressed deep remorse as well as apologies for the fact that Japanese past actions had inflicted deep wounds on many people, including the former prisoners.

We have made it clear often to the Japanese Government that this issue is not disappearing and that the feelings aroused here are strong and go beyond those who suffered. We have discussed with them various ways of tackling that and we shall continue to do so. I made it clear to the Japanese Foreign Minister that the measures so far taken by Japan, and the efforts that the Japanese have made, are not sufficient to allay the anxieties and resentments here.

Mr. Nicholas Winterton: I join in all the tributes that have rightly been paid to my right hon. Friend on his outstanding service not only to the Government but to the Foreign Office over the years in which he has held the high and important office of Secretary of State.

My right hon. Friend's response to the question has been full and sympathetic, but am I right in suggesting that if the Japanese would go so far as to apologise, as the German people and the German Government have done, that would go a long way to meet the concerns expressed? Like many others who have met representatives of the Far East Prisoners of War Association and the Burma Star Association, I believe most fervently that the agreement made in 1951 was inadequate and that there is an excellent case for compensation for those people who were so badly abused.

Mr. Hurd: I am grateful for what my hon. Friend said at the beginning of his question, although there is an element of exaggeration in what has been said about my five and a half years at the Foreign Office. I am particularly glad that such remarks should come from those who have been among my sternest critics at moments during that period.

I sympathise with what my hon. Friend has said. We both know individuals who suffered at the hands of the Japanese. I have a friend in Witney who is one of the leaders of that group of former prisoners and internees. The matter is on that is discussed over and over again in Japan, where it is a matter of high controversy in a way that it is not in Germany. The recent Diet resolution, which was very controversial, was a general statement repeating the expression of deep remorse.

Inter-Parliamentary Union

12. **Mr. David Marshall:** To ask the Secretary of State for Foreign and Commonwealth Affairs what is the Government's policy in respect of the special Inter-Parliamentary Union meeting to celebrate the 50th anniversary of the United Nations; and if he will make a statement. [30906]

Mr. Hurd: We support the special meeting of the IPU planned in New York to mark the 50th anniversary of the United Nations.

Mr. Marshall: I thank the Secretary of State for that response. Will he ensure that the topic of co-operation between the IPU and the UN is put on the agenda of the General Assembly of the UN? Will the Government support such an initiative? Will the right hon. Gentleman do his utmost to see that the matter is discussed at the General Assembly as soon as possible?

Mr. Hurd: I think that it will be. We support close co-operation between the UN and the IPU. A resolution has been submitted by Senegal for the next session and we are looking to see whether it is sensible from our point of view.

Mr. Rathbone: First, I add my own compliments to my right hon. Friend the Foreign Secretary, particularly on his honesty; I say that as the only Member of the House, I believe, to have bought a second-hand car from him. What is Her Majesty's Government's policy on the future membership of the UN Security Council, and will that be pursued through IPU circles?

Mr. Hurd: The answer to the latter part of my hon. Friend's question is yes.

I remember the car to which my hon. Friend referred: I believe that it was an open-roof Sunbeam Rapier. It had to be taken to Long Island for repairs rather too often in its life, but I am glad that it served my hon. Friend well.

Departmental Commercial Services

13. **Mrs. Angela Knight:** To ask the Secretary of State for Foreign and Commonwealth Affairs what assessment he has made of whether his Department's commercial services could be geared more towards small and medium-sized enterprises. [30907]

Mr. Baldry: The chargeable services provided by our overseas posts are specifically targeted at small and medium-sized companies. They are designed to help those companies export successfully.

Mrs. Knight: As small companies require special assistance when exporting, can my hon. Friend tell the House what steps his Department is taking to advertise its services through the relevant trade associations and business links in Britain?

Mr. Baldry: We provide small businesses with information and advice that it would be difficult for them to obtain elsewhere. At least 60 per cent. of companies which take part in outward missions are small and medium-sized enterprises. The business links network will have 70 export development counsellors to offer advice, smaller companies will receive export vouchers which they can exchange for export services and the network of 200 business links will help to raise awareness still further, so much has been done to help small and medium-sized businesses export.

Mr. Pike: Can the Minister assure the House that in dealing with the newly emerging democracies in eastern Europe we take into account not only the advantages for Britain, but also what we can do to help to stabilise those countries' economies and democracies, which is crucial if they are not to move backwards?

Mr. Baldry: I think that British business appreciates that it is important to establish long-term partnerships in every emerging market. It is in the interests of British business as well as of the countries concerned to ensure that there is maximum stability in order to make those long-term partnerships successful and profitable.

Mr. Thomason: Does my hon. Friend agree that the use of the know-how fund in appropriate countries may assist small and medium-sized companies in their export operations and that it is important to use the know-how

fund not only for design and development but also for the full implementation of schemes if we are to see them develop properly?

Mr. Baldry: The know-how fund has been, and continues to be, extremely successful. I know of no scheme under the know-how fund that has been criticised. The fund has managed to achieve a range of projects and schemes throughout eastern Europe and it is now being copied by many other countries who wish that they had thought of it before we did.

Council of Europe

14. **Mr. Jim Marshall:** To ask the Secretary of State for Foreign and Commonwealth Affairs what discussions he has had regarding the future composition of the Council of Europe. [30908]

Mr. David Davis: My right hon. Friend the Foreign Secretary most recently discussed the future composition of the Council of Europe on 15 February 1995 in London with Mr. Tarschys, the Secretary-General.

Mr. Marshall: I thank the Minister for that answer, but I take a slightly different approach to the question. Is the Minister aware that the British parliamentary delegation to the Assembly of the Council of Europe is the same delegation as attends the Assembly of the Western European Union? In view of the heavy workload of the Council of Europe and the increasing workload and importance of the Assembly of the Western European Union, will the Government give some attention to either splitting the British parliamentary delegation or having two separate and distinct delegations to those parliamentary assemblies?

Mr. Davis: I know that the hon. Gentleman has put a great deal of work into both those organisations, as well as into the Legal Affairs and Human Rights Committee of the Council of Europe and the Technical Aerospace Committee of the WEU. I have not considered the matter and I do not hold out any great hopes to the hon. Gentleman at this point, but I will examine his proposals.

Mr. David Atkinson: Now that the Council of Europe has accepted that the three Caucasian states are European, is my hon. Friend disturbed by today's reports that the elections currently taking place in Armenia may not prove to be free and fair? Is the Minister observing those elections and will he continue to urge restraint on both Armenia and Azerbaijan not to go to war again on Nagorny Karabakh if they are really serious about wanting to join the Council of Europe?

Mr. Davis: There are international observers attending the elections. However, the countries' admission to the Council of Europe will fall under article 3 of the Council, which means that they must meet the various freedom and democracy requirements.

UN Conflict Prevention Activities

15. **Mr. Home Robertson:** To ask the Secretary of State for Foreign and Commonwealth Affairs what consideration he has given to improving Britain's contribution to United Nations conflict prevention activities, with particular reference to the rapid reaction force in Bosnia. [30909]

Mr. Hurd: We have taken the lead in trying to strengthen the United Nations in preventive diplomacy and conflict prevention. Last September, I made some specific proposals for the UN to give more effective help to regional preventive diplomacy in Africa, and in 1993, with the French, outlined proposals to help enhance UN capability in that respect. We strongly support UN work to prevent conflict in Macedonia and Burundi.

Where preventive diplomacy has failed, we are also working to improve UN response to conflict. Britons are serving in six UN peacekeeping operations. We have made proposals for improving the planning and management of those operations and have seconded British experts to New York to help implement them.

In Bosnia, as the hon. Gentleman knows, we have played a leading role in deploying additional troops to form the rapid reaction force to which he refers. The force will increase the effectiveness of UNPROFOR in its peacekeeping activities. It is not there to impose a solution. The priority remains to bring the parties to a negotiated settlement.

Mr. Home Robertson: I welcome the deployment of a stronger United Nations force to Bosnia, and particularly the participation of rapid reaction units from Britain. As the situation in Sarajevo is worse than ever, with the three-year siege continuing, the return to indiscriminate shelling and sniping and the closure of the air bridge and all road access, will the Foreign Secretary confirm that the Government and other members of the United Nations intend that the new rapid reaction force should be able to protect humanitarian aid convoys to the city of Sarajevo and other isolated communities in Bosnia?

Mr. Hurd: The hon. Gentleman does not exaggerate the seriousness of the conflict. I received a sombre report this morning from Mr. Carl Bildt, the new European negotiator, who is working very hard on the military agenda, to make it possible for UNPROFOR to function effectively on the ground with the minimum of consent from all concerned, including the Bosnian Serbs, and on the contact group agenda towards a negotiated settlement.

The arrival of new units and the reinforcement of units in the UN force will make it somewhat easier for UN commanders to take the action to which the hon. Gentleman refers. However, the hon. Gentleman recognises that they do not transform the strategic position; they increase the choices in a tactical situation for the UN command.

Sir Patrick Cormack: May I thank my right hon. Friend for all he personally has done to try and bring peace to that troubled part of the world? Does he agree, however, that it is important that President Milosevic should use his best endeavours to persuade the Bosnian Serbs to lift the siege of Sarajevo? Is he confident that President Milosevic is doing all that he can?

Mr. Hurd: Yes. I believe that President Milosevic realised some time ago that the only future for his country, Serbia, lies in a negotiated peace and that he must use what influences are at his disposal to bring the Bosnian Serbs to the same conclusion. Neither he nor we nor anyone else has yet succeeded in that, but it is in his interests and intentions to continue.

Mr. Robin Cook: The Foreign Secretary will be aware that we welcome the reassurances that no undertakings

were given to the Bosnian Serbs in return for the release of the hostages? Does he therefore share our concern at the repeated failure of the UN to respond to the escalating breaches of the UN mandate by the Bosnian Serbs? Can he confirm that only one sixth of the aid required is getting through to Sarajevo and that cases of starvation are now being reported from Bihac? Does he agree that, having shown the necessary resolve to secure the release of the hostages, the UN must show same resolve to protect and feed civilians in towns that the UN itself has declared safe areas?

Mr. Hurd: Small amounts of aid are getting through to Sarajevo and the enclaves, but they are too small. The hon. Gentleman is perfectly right that the humanitarian position has deteriorated. The choices before the UN commanders are not enviable. They now have a greater range of troops and equipment, which will increase quite substantially during the coming month, but it does not transform the basic position: they have to judge—and we cannot do so on their behalf—what is possible without making the position worse. I hope and believe that they will able to make further progress, partly as a result of Mr. Bildt's efforts, which were extremely vigorous, and partly through the reinforcements that they have received.

Mr. Jenkin: I join the tributes already paid to my right hon. Friend, particularly for his unfailing courtesy towards those who have not always sought to make life easier for him.

Is there not a lesson to be drawn from the involvement in Bosnia—that whatever contribution we make to the UN, these operations would be easier if they were premised on the unequivocal support of all the major NATO powers before we embarked on them?

Mr. Hurd: I believe that it is right that NATO should be involved to the extent that it is involved in the enforcement of sanctions and in providing the possibility of air strikes. I have always been anxious—I think that the House has appreciated this—that we should not, in Bosnia or Yugoslavia, build up a situation in which the NATO powers are on one side and the Russians on the other. That would be a bad outlook. We have avoided it with the contact group, which includes Russia.

If, however, my hon. Friend is saying that there needs to be absolute solidarity between the main western allies, all the members of the European Union and all the members of NATO, he is entirely right. At the moment, the policy that the international community—to use the shorthand phrase—is pursuing in Bosnia has that solid support.

Intergovernmental Conference

16. **Mr. Berry:** To ask the Secretary of State for Foreign and Commonwealth Affairs if he will make a statement about Her Majesty's Government's priorities for the 1996 intergovernmental conference of the European Union. [30910]

Mr. Hurd: My right hon. Friend the Prime Minister set out our priorities for the IGC at Leiden last September and in this House on 1 March. As the Minister of State said earlier, we want a European Union which is open, flexible, free trading, efficient and responsive to popular concerns.

Mr. Berry: I note that the Secretary of State did not say that it is a Government priority to secure measures to tackle unemployment in Europe. With 20 million people unemployed in Europe, does he not feel that now is the time for more serious action to deal with that rather than simply abolishing the Department of Employment? What measures will the right hon. Gentleman seek to put forward at the IGC to tackle unemployment, and what effect will they have?

Mr. Hurd: There was a good discussion on jobs at the summit in Cannes a week ago. President Chirac put them at the top of the list for the summit. What clearly emerged from the discussion was the fact that jobs are created through free trade—one of the objectives that I have just mentioned—through deregulation, and through flexible labour markets. My right hon. Friend the Prime Minister was in a strong position because we are in the lead on all those matters.

Sir Peter Hordern: In the forthcoming discussions about the IGC, will my right hon. Friend ensure that the agenda for it comprises the extension of the European Union to take in the Visegrad countries and the necessary reform of the common agricultural policy? Beyond that, will he do his best, from whatever position he occupies, to see that the IGC is a low-key affair? We do not want another Maastricht treaty, however skilfully and well my right hon. Friend managed to defeat the arguments of the Euro-sceptics on both sides of the House.

Mr. Hurd: I entirely share my right hon. Friend's last wish and I think that we can avoid that. What is taking shape in the reflections group, which my hon. Friend the Member for Boothferry (Mr. Davis) attends, is not a huge further radicalisation of the European Union or a huge new concept that will pull up everything by the roots and start something entirely afresh. It is, however, a little more than a 3,000-mile service—for the reason that my right hon. Friend the Member for Horsham (Sir P. Hordern) gives.

We have to look ahead to the expansion eastwards, and to some extent southwards—to Cyprus and Malta—of the European Union. One aspect that we have to consider to that end is the changes that will be needed in the common agricultural policy and in the structural funds. No one in their right mind would suppose that we could expand eastwards, which is certainly necessary, while conserving the CAP in its present form as the whole thing would go bust.

Mr. Ieuan Wyn Jones: On behalf of my party I, too, pay tribute to the Foreign Secretary for the work that he has carried out during his period of office and wish him a happy retirement.

In the context of the IGC and the future of the European institutions, will the Government be pushing for a review or appraisal of the work of the Committee of the Regions, which was set up under Maastricht, to look at the effectiveness of that committee as it is currently constituted, and to see whether the United Kingdom Government can make the work of the representatives on it much more effective by giving them better support?

Mr. Hurd: That illustrates the difficulties of the exercise. The committee has only just started its work. It is far too soon in practice to review how it is going. High hopes are placed on it in Wales, Catalonia and other places, but it is too soon to make an assessment. That is one of the reasons why 1996, as in the treaty, for the review conference is too soon. However, we have to make

the best of the treaty. No doubt the Committee of the Regions will be reviewed, but I am sure that it is too soon to reach a conclusion.

Sir Giles Shaw: Does my right hon. Friend agree that he is right to concentrate on the thematic approach to the conference and not to get into too much detail about the precise agenda and the exact stance that we might have to take? Does he further agree, as a diplomat who has rendered so much distinguished service to this country, that we should bear in mind that although it was once said that a week was a long time in politics, a day is a pretty long time too?

Mr. Hurd: I am grateful to my hon. Friend. I am sure that in the coming months the House will seize many opportunities to talk about these issues and to prise out of the Government our approach, and we shall be forthcoming in response.

It is worth repeating the timetable. The reflections group, on which my hon. Friend the Member for Boothferry sits, has just begun its work. The intergovernmental conference will not start, I believe, until the spring—I do not think that the Italians will be in a rush to start it—and it is likely to last a considerable time, so there will be plenty of time for reflection and debate.

Ms Quin: The Government are being urged by some of their friends to bring about a substantial return of powers from the European Union to national Governments during the process that the Foreign Secretary has outlined. Given the right hon. Gentleman's extensive contacts with his European counterparts over the years, does he think that such a substantial repatriation of powers is either possible or desirable?

Mr. Hurd: We are still looking at this. There is quite an appetite for greater clarity and a worry about what in the jargon is called creeping competence—that gradually without changes in the treaty the borderline will slide. That is a worry which goes beyond this country. However, we are still examining exactly what proposals might be sensible.

Middle East

18. **Mr. Cyril D. Townsend:** To ask the Secretary of State for Foreign and Commonwealth Affairs if he will make a statement on the middle east peace process. [30912]

Mr. Douglas Hogg: This is probably the last Foreign Office question that I shall have the privilege of answering in the presence of my right hon. Friend the present Foreign Secretary, with whom I have had the privilege of working for seven years at both the Home Office and the Foreign Office. It has been a great privilege and I much regret that my right hon. Friend will no longer be representing Britain's interests abroad. I know that that is the view of my ministerial colleagues, too, and I believe it to be the view also of the service that my right hon. Friend has led with such distinction for so long.

In answer to the main question, I refer my hon. Friend to the answer that my right hon. Friend the Foreign Secretary gave to my hon. Friend the Member for Hendon, South (Mr. Marshall).

Mr. Townsend: First, I acknowledge the rapid rapport that my right hon. and learned Friend the Minister of State and my right hon. Friend the Foreign Secretary have been able to strike up with Arab leaders during their time at the Foreign Office. Does my right hon. and learned Friend recall, however, that the basis of the middle east peace process was supposed to be land for peace? Does he agree that dividing the west bank into zones A, B and C is hardly likely to help the peace process? Is it not time that he told the Israeli Government, in his last few moments, perhaps, that this is a good moment to withdraw altogether from the occupied territory?

Mr. Hogg: I think that on these occasions one should not be more royalist than the King. I also believe that we need strongly to support the negotiations that are afoot. I hope that it will be possible for the Israelis and Palestinians to meet their newest deadline of 25 July for a conclusion to the present negotiations.

Mr. Janner: May I take the same opportunity to thank the Foreign Secretary for many courtesies over many years? He has been a friend and sparring partner for nearly a lifetime. If we have to have a Tory Foreign Secretary, I am sorry that the right hon. Gentleman is leaving his post.

At the same time, I thank the Minister of State for his reply. I am sure that he will have the support of almost all Opposition Members for the Government's efforts to make constructive approaches to both sides to help the peace process forward rather than trying to find ways to destroy good will.

Mr. Hogg: I am grateful to the hon. and learned Gentleman. I am glad that this Question Time has ended on such a harmonious note.

Mr. Tredinnick: I, too, wish my right hon. Friend the Foreign Secretary well and I thank him for his support of the British Atlantic Group of Young Politicians and the Future of Europe Trust over the past five years.

Can my right hon. and learned Friend the Minister confirm that the Israelis are now dealing with Mr. Arafat, which is a remarkable achievement? It must be made clear to the Israelis that they will never have peace unless they give up a good many of their settlements in the area known as Palestine.

Mr. Hogg: It is clearly a good thing that the Israeli Government are dealing directly with Mr. Arafat and have been doing so for many months. That is a tribute to Mr. Arafat for his courage and to Prime Minister Rabin for his.

Points of Order

3.30 pm

Mr. Greville Janner (Leicester, West): On a point of order, Madam Speaker. I understand that, at a time when unemployment by the Government's figures is just under 2.5 million and, in reality, probably a million more, the Government are proposing to scrap the Department of Employment. Is it in order for any Government to take such a step without first consulting the House or at least having the courtesy to make a statement to the House? Have you received any request for such a statement?

Secondly, I have honour to be the Chairman of the Select Committee on Employment. [HON. MEMBERS: "Ah."] Hon. Members may say," Ah", but we all recognise why they propose to dispose of the Department; they do not like it. Does there not have to be a change in Standing Orders to achieve that? If so, Madam Speaker, have you had any notification of such a request? Is it not clear that the betrayal of unemployed people by removing the only Department of State that is concerned with jobs will not be forgiven by anyone who is unemployed or likely to become unemployed under this regime?

Madam Speaker: The matter that concerns me is the hon. and learned Gentleman's point about whether there needs to be a change in Standing Orders. If what the hon. Gentleman suspects is correct, there must be a change in Standing Orders.

To answer his other points, I have not been informed that a Minister is seeking to make a statement on that matter. As the hon. and learned Gentleman and the House know, changes in departmental and ministerial affairs are not a matter for me. He might care to seek to catch my eye at a time when either the Prime Minister or the Leader of the House is at the Dispatch Box.

Mr. Michael Fabricant (Mid-Staffordshire): On a point of order, Madam Speaker. As a new boy, may I ask whether you could explain whether there is any hope, if a Ministry is abolished, that the Select Committee covering it will be abolished, too?

Madam Speaker: I refer the hon. Gentleman to the reply that I gave a moment ago.

Mr. Dennis Skinner (Bolsover): There is a matter that concerns you, Madam Speaker, in that the existence of Departments results in questions being put to the responsible Ministers. As you know, Members of Parliament are required to table a fortnight beforehand oral questions to the Department of Employment, the Department of Trade and Industry or other Ministries that may be affected by the reshuffle. In view of that, I ask you to make further inquiries, so that the House and Back-Bench Members of Parliament who table questions know whether it is in order to table Employment questions.

Finally, it is pretty clear that the new Deputy Prime Minister has shut the pits, shut most of the shipyards and is now shutting down the Government.

Madam Speaker: That is hardly a point of order for me.

Mr. Jacques Arnold (Gravesham): On a point of order, Madam Speaker. For the past seven years, we have enjoyed a one-and-a-half hour Consolidated Fund debate in July on Britain's relations with Latin America. Under the new arrangements, a number of hon. Members of all parties applied for such a debate this July. We could do so only by applying for one of the Wednesday morning debates, for which, we have been advised by your office, we were unsuccessful. What steps can we take to ensure that, in July, the House debates this important part of the world as usual, because such debates are for the interest of the people of Latin America?

Madam Speaker: As I am sure the hon. Gentleman is aware, that is a matter for the Leader of the House at business questions tomorrow, if the hon. Gentleman is fortunate enough to catch my eye.

Mr. Nigel Spearing (Newham, South): Further to the reallocation of the responsibilities of Ministers of the Crown and the action that needs to be taken by the House in the form of a motion or resolution, is it not a fact that such a formal reallocation, which involves the responsibility for answering questions and presenting estimates, expenditure, votes and related matters, cannot take place unless and until a relevant resolution is carried in the House? Is it not also the case that, until that time, the Secretary of State named is responsible until the House decides otherwise?

Madam Speaker: Ministers and Government Departments make their own arrangements, but I am as concerned as the hon. Gentleman about this matter. I shall certainly make all inquiries to satisfy myself.

Mr. David Shaw (Dover): On a point of order, Madam Speaker. Have you had any request from the Leader of the Opposition to move a vote of confidence or a vote of no confidence in the Government? Is the Leader of the Opposition capable of making a decision, or is he indecisive on this matter?

Madam Speaker: That would not be the procedure. Such a request would be made through the usual channels.

Ms Angela Eagle (Wallasey): I note that we are scheduled to have Employment Questions next Tuesday. Indeed, a list has already been drawn up. Can you give any guidance, Madam Speaker, as to what will happen? The Department of Energy has already been subsumed into the Department of Trade and Industry, and if the Department of Employment is to be so subsumed, how are we to ask reasonable questions about the plight of many millions of people in this country?

Madam Speaker: As I attempted to explain in response to the original point of order on that matter, I am not responsible for departmental and ministerial changes. However, I understand the House's concern, and I shall attempt to find out what the position is as soon as I am able to do so.

Mr. Andrew Faulds (Warley, East): On a point of order, Madam Speaker. Having been for many years one of the elder statesmen, and not normally needing such a prop as this stick, I had hoped to catch your eye a little earlier. For many, many, many years now, your predecessors have always made a point of asking me to ask some small question during Foreign Affairs questions.

I was very eager this afternoon just to say—I was not going to be difficult—that those of us who have the greatest expectations of British Foreign Secretaries of whatever party have not too much to be dissatisfied with

in the right hon. Gentleman, who has just disappeared for the last time from the Chamber as Foreign Secretary. We wish him well; we respect his manner of going, which is the honourable sort of thing that we would have expected him to do; and we much regret his departure.

Madam Speaker: I am delighted to hear the hon. Gentleman's comments, but, as Speaker, I have never prompted any hon. Member to ask questions on a particular day. Far be it from me to do so—I have sufficient competition at Question Time without prompting hon Members.

Peace and Freedom Day

3.39 pm

Mr. David Atkinson (Bournemouth, East): I beg to move,

That leave be given to bring in a Bill to provide for the discontinuation of the May day bank holiday and to establish a Peace and Freedom day bank holiday on the Monday nearest to Victory in Europe day, 8 May.

Eight weeks ago, the entire nation commemorated the final collapse of the Third Reich and celebrated the 50th anniversary of victory in Europe. The events that took place over that splendid weekend in May were astonishingly successful in bringing back the excitement and relief that was originally felt following six of the longest and toughest years in our country's history.

To those of us who were born too late to have played a part in the war, VE day gave us an opportunity to give thanks to those who offered their lives in defence of freedom. Younger generations, perhaps for the first time, became aware of the magnificent achievement of this country as Europe's last bastion against Nazidom, wholly alone for nearly two years after the fall of France, until Germany invaded Russia, and America joined us after Pearl harbour.

Throughout all the events during the VE day celebrations, the portrayal of our royal family was for ever present, and rightly so, because of its tremendous inspiration to all our people throughout the entire war. Equally dominating was the portrayal of Winston Churchill as the one man above all others who symbolised as well as led our country's resistance, from our darkest days to our finest hours.

It was inevitable that, after the celebrations were over, it was said that VE day would never again be commemorated and remembered in such a way; that, as those who took part in the war depart, so will all memories of their achievements dim, and for future generations will be merely the stuff of history books.

The purpose of my Bill therefore is to ensure that the significance and achievements of VE day will never be forgotten. The establishment of a clearly designated bank holiday in our calendar to commemorate the triumph of peace and freedom over tyranny, and its importance to Europe and the world, will remind this country annually and permanently of the crucial part that Britain played.

Many hon. Members, including you yourself, Madam Speaker, will recall a previous attempt to introduce such a bank holiday eight years ago, on 24 March 1987, by our former colleague, Stefan Terlezki. He called it the Winston Churchill National day. The House voted for it by 160 to 80, and there was every reason to believe that it could have been passed into law but for the general election three months later.

To reintroduce Stefan's Bill was precisely what I had in mind today, inspired by the events of two months ago, when so many of us in the House came together in Westminster Hall with our families to participate in the historic, unique and, above all, British ceremony as both Houses presented their humble addresses to Her Majesty.

But on further thought, I do not think that Winston Churchill would have wanted such a day solely to commemorate his name. As he himself so nobly and modestly said:

[Mr. David Atkinson]

"It fell to me in those days to express the sentiments and resolves of the British nation in that supreme crisis of its life. That was to me an honour far beyond any dreams or ambitions I had ever nursed, and it is one that cannot be taken away."

Churchill's personal reputation and his "walk with destiny", as he put it, first as the prophet and then as the leader against Hitler, will always be bound up with the general reputation of that war as the crusade against evil that it was, in which patriotism was not enough. Such a day to commemorate peace and freedom in Europe would always be associated with Winston Churchill, just as his portrayal and presence dominated the 50th anniversary events just two months ago.

My proposal for the actual date of the bank holiday to be the Monday closest to VE day, 8 May, is also symbolic in other appropriate ways: it is close to the day when Winston Churchill became Prime Minister, 10 May 1940, when the nation faced a very bleak future indeed; and it is close to the same day a year later when this very Chamber, the greatest symbol of freedom and democracy, was destroyed by German bombs.

It is also the day before Europe day, 9 May, which is celebrated throughout the European Union to mark the day in 1950 when Robert Schuman called on the people of Europe to rally together for a common cause, in which cultural diversity is respected and solidarity proclaimed.

Having, I hope, persuaded the House to support the establishment of such a bank holiday permanently to commemorate VE day, I should now explain why I propose that it should replace the May day bank holiday the previous week. I should stress to Opposition Members that I have no great prejudice against a bank holiday to commemorate Labour day. Indeed, as a Roman Catholic I am encouraged to celebrate it myself as St Joseph the Worker's day—the day of St Joseph the carpenter, the stepfather of Jesus. I consider it rather unfortunate, however, that in recent years May day has become too associated with the massive demonstration of the communist war machine in Red square, overlooked by Soviet leaders on the Kremlin wall.

Certainly the origin of May day is no part of British history—or European history, for that matter. As our former colleague Dave Nellist reminded the House when speaking against Stefan Terlezki's Bill, the original May day was 1 May 1886, when 350,000 workers downed tools in more than 11,000 establishments in America in a demand for an eight-hour day, which led to the first general strike in American history. Workers and police died in the violence that followed. Since then, 1 May has evolved into an international expression of workers' solidarity, and a bank holiday to commemorate it was introduced in 1978 by the Labour Government.

I suggest that a peace and freedom day bank holiday to replace the May day bank holiday would epitomise all the rights and freedoms, including the freedom of trade unions, that the liberation of Europe and the re-establishment of democracy and the rule of law in western Europe has guaranteed and protected—thanks largely to British leadership and British courage. Indeed, only recently the Council of Europe's social charter—which, along with the European convention on human rights and the European Court of Human Rights, was a consequence of victory in Europe—has been extended to include new categories of rights for workers.

Finally, there are good practical arguments in favour of a bank holiday a week later than May day. It would be welcomed by industry, especially the tourist industry, as being that much further away from the Easter bank holiday weekend. It would apply equally in Scotland: we know from early-day motion 871 of the problems that this year's VE day holiday—which was not a bank holiday in Scotland—imposed on that country.

For all those good reasons, I ask the leave of the House to bring in my Bill, as a permanent reminder to the people of this country—and generations to come—of the successful outcome of the finest chapter in our British history, and the part played by our royal family, Winston Churchill as leader of a coalition Government, all the people of Britain, our allies and the Commonwealth in the restoration of peace and freedom to Europe and the world 50 years ago.

3.42 pm

Mr. Mike Watson (Glasgow, Central): I oppose the motion—which I have only just spotted on the Order Paper—not simply because May day happens to be the day on which I was born, but for much more serious reasons.

Despite the jingoism that we have heard from the hon. Member for Bournemouth, East (Mr. Atkinson), this is a vengeful and petty proposal, designed as a further attack on organised labour by Conservative Members. I am sure that no Opposition Member would oppose the establishment of a special holiday to commemorate VE day, and I am sure that a holiday to commemorate VJ day would be equally justified; but that is not the point of the proposal.

Over the past 15 or 16 years, Conservative Members have lost no opportunity to attack organised labour in any form. My hon. and learned Friend the Member for Leicester, West (Mr. Janner) recently pointed out that, for some bizarre reasons that may eventually become clear, the Department of Employment is to be abolished.

The May day holiday, however, is a fine tradition. I accept that, as the hon. Member for Bournemouth, East said, it resulted from an industrial dispute in, I believe, San Francisco in 1888, but it goes back far further than that. I understand that it goes back far further in English traditions, with which, for obvious reasons, I am not particularly familiar. Perhaps the hon. Gentleman should have washed his face more carefully in the morning dew on May day before thinking up this ill-considered proposal.

Not only Opposition Members oppose the idea. The hon. Gentleman failed to mention that, when the right hon. Member for Norfolk, South-West (Mrs. Shephard), as Secretary of State for Employment, suggested abolishing May day, the CBI was against the proposal, because it saw no need for change. Apparently, employers' organisations believe that there is no need for any change. We know that some of this country's worst employers sit on the Conservative Benches. That may partly explain why such proposals continually come forward.

The May day tradition goes back hundreds of years. In this country, it goes back about 100 years as a proud labour movement tradition in many regions. I and many other hon. Members participate in May day rallies and parades, which are family and fun days. They recall the labour movement's history but, equally, they look forward as well. They are enjoyed by thousands of people. To suggest that that should be taken away is, at best, mean-minded and, at worst, insulting to the people who enjoy it.

May day is a day of working-class tradition in many communities, even those where heavy industries that had developed in the past 100 years have virtually ceased to exist. On that day, people still proudly parade their banners and remember their forefathers and foremothers.

It is important to make the point that the Bill is not just about May day. Its proposal that we should have a specific peace and freedom day in place of May day is equally insulting to the millions of people who took part in world wars in this century. Who fought hardest of all to achieve peace and freedom in the 1914-18 and 1939-45 wars? For obvious reasons, many people who fought in those wars have proud traditions in the labour movement and were happy to commemorate VE and VJ days as much as they commemorate May day.

If the hon. Member for Bournemouth, East really wishes us to have a VE day holiday, let us consider the possibility of creating an additional holiday. Before he falls off his seat by suggesting that that would cost industry millions of pounds and would be unworkable, let us compare the holidays in the UK with those in other European Union member countries. Let us start by comparing the holidays of the UK. The hon. Gentleman's constituents in Bournemouth have nine public holidays a year, My constituents in Scotland have 10, and the constituents of Northern Ireland Members have 11. Already, therefore, the public holidays position needs to be addressed.

Throughout the European Union, nine member countries have more public holidays than we do, and only two have fewer public holidays: the Netherlands and Denmark. Those are the only two European countries that do not have May day as a public holiday. Plenty of scope exists, therefore, for the hon. Gentleman and his hon. Friends to introduce a VE day, and, as I said, a VJ day, holiday and still to remain in a position that is not out of line with the majority of European Union member countries by retaining the May day holiday.

The Bill is a thinly veiled attack on this country's organised labour, and its proud traditions going back many years. Opposition Members will not tolerate it, and I suggest that, when the Bill goes to the vote, the House will not tolerate it either.

Question put, pursuant to Standing Order No. 19 (Motions for leave to bring in Bills and nomination of Select Committees at commencement of public business):—

The House divided: Ayes 79, Noes 155.

Division No. 198] **[3.52 pm**

AYES

Alexander, Richard
Alison, Rt Hon Michael *(Selby)*
Alton, David
Arnold, Jacques *(Gravesham)*
Atkinson, David *(Bour'mouth E)*
Booth, Hartley
Bottomley, Peter *(Eltham)*
Bowden, Sir Andrew
Boyson, Rt Hon Sir Rhodes
Bruce, Ian *(Dorset)*
Bruce, Malcolm *(Gordon)*
Budgen, Nicholas
Butterfill, John
Carrington, Matthew
Cash, William
Clifton-Brown, Geoffrey
Colvin, Michael
Congdon, David
Cope, Rt Hon Sir John
Cormack, Sir Patrick
Day, Stephen
Duncan-Smith, Iain
Evennett, David
Foster, Don *(Bath)*
Gorman, Mrs Teresa
Gorst, Sir John
Grant, Sir A *(SW Cambs)*
Greenway, Harry *(Ealing N)*
Griffiths, Peter *(Portsmouth, N)*
Hamilton, Neil *(Tatton)*
Harris, David
Harvey, Nick
Hawkins, Nick
Hawksley, Warren
Hunter, Andrew
Jackson, Robert *(Wantage)*
Jenkin, Bernard
Jessel, Toby
Johnson Smith, Sir Geoffrey
Kellett-Bowman, Dame Elaine
Kirkwood, Archy
Lawrence, Sir Ivan
Lynne, Ms Liz
McLoughlin, Patrick
Marshall, John *(Hendon S)*
Mitchell, Sir David *(NW Hants)*
Moate, Sir Roger
Montgomery, Sir Fergus
Neubert, Sir Michael
Pattie, Rt Hon Sir Geoffrey
Pawsey, James
Porter, David *(Waveney)*
Rathbone, Tim
Riddick, Graham
Robathan, Andrew
Roberts, Rt Hon Sir Wyn
Shaw, David *(Dover)*
Sims, Roger
Spring, Richard
Stanley, Rt Hon Sir John
Steen, Anthony
Stern, Michael
Sweeney, Walter
Taylor, Matthew *(Truro)*
Thomason, Roy
Thompson, Patrick *(Norwich N)*
Thornton, Sir Malcolm
Thurnham, Peter
Townsend, Cyril D *(Bexl'yh'th)*
Tracey, Richard
Tredinnick, David
Tyler, Paul
Viggers, Peter
Walker, Bill *(N Tayside)*
Wallace, James
Waterson, Nigel
Wilkinson, John
Winterton, Mrs Ann *(Congleton)*
Winterton, Nicholas *(Macc'fld)*

Tellers for the Ayes:
Lady Olga Maitland and
Mr. Michael Fabricant.

NOES

Ainger, Nick
Ainsworth, Robert *(Cov'try NE)*
Ashton, Joe
Barnes, Harry
Bayley, Hugh
Beggs, Roy
Benn, Rt Hon Tony
Bermingham, Gerald
Berry, Roger
Betts, Clive
Blunkett, David
Bradley, Keith
Burden, Richard
Byers, Stephen
Campbell-Savours, D N
Canavan, Dennis
Chisholm, Malcolm
Clapham, Michael
Clark, Dr David *(South Shields)*
Clarke, Eric *(Midlothian)*
Clarke, Tom *(Monklands W)*
Clwyd, Mrs Ann
Coffey, Ann
Cohen, Harry
Connarty, Michael
Corbett, Robin
Corbyn, Jeremy
Corston, Jean
Cummings, John
Cunliffe, Lawrence
Cunningham, Jim *(Covy SE)*
Dalyell, Tam
Davies, Bryan *(Oldham C'tral)*
Davies, Ron *(Caerphilly)*
Denham, John
Dewar, Donald
Dixon, Don
Donohoe, Brian H
Dunnachie, Jimmy
Eagle, Ms Angela
Eastham, Ken
Etherington, Bill
Fisher, Mark
Flynn, Paul
Forsythe, Clifford *(S Antrim)*
Foster, Rt Hon Derek
Gapes, Mike
Garrett, John
Gerrard, Neil
Godman, Dr Norman A
Godsiff, Roger
Golding, Mrs Llin
Graham, Thomas
Grant, Bernie *(Tottenham)*
Grocott, Bruce
Gunnell, John
Hall, Mike
Harman, Ms Harriet
Hill, Keith *(Streatham)*
Hinchliffe, David
Home Robertson, John
Hood, Jimmy
Hoon, Geoffrey
Howarth, George *(Knowsley North)*
Hoyle, Doug
Hughes, Kevin *(Doncaster N)*
Hughes, Robert *(Aberdeen N)*
Hughes, Roy *(Newport E)*
Hutton, John
Ingram, Adam
Jackson, Helen *(Shef'ld, H)*
Janner, Greville
Jones, Ieuan Wyn *(Ynys Môn)*
Jones, Jon Owen *(Cardiff C)*
Kaufman, Rt Hon Gerald
Keen, Alan
Kennedy, Jane *(L'pool Br'dg'n)*
Khabra, Piara S
Kilfoyle, Peter
Lestor, Joan *(Eccles)*
Lewis, Terry
Liddell, Mrs Helen
Litherland, Robert
Livingstone, Ken
Lloyd, Tony *(Stretford)*
Llwyd, Elfyn
Loyden, Eddie
McAllion, John
McAvoy, Thomas
McCartney, Robert
McFall, John
McKelvey, William
Mackinlay, Andrew
McMaster, Gordon
MacShane, Denis
Marek, Dr John

Marshall, David *(Shettleston)*
Marshall, Jim *(Leicester, S)*
Martin, Michael J *(Springburn)*
Maxton, John
Meale, Alan
Michie, Bill *(Sheffield Heeley)*
Milburn, Alan
Morgan, Rhodri
Morley, Elliot
Morris, Rt Hon Alfred *(Wy'nshawe)*
Morris, Estelle *(B'ham Yardley)*
Morris, Rt Hon John *(Aberavon)*
Mowlam, Marjorie
Mudie, George
Mullin, Chris
Murphy, Paul
Oakes, Rt Hon Gordon
O'Brien, Mike *(N W'kshire)*
O'Brien, William *(Normanton)*
Olner, Bill
Orme, Rt Hon Stanley
Parry, Robert
Pickthall, Colin
Pike, Peter L
Prentice, Gordon *(Pendle)*
Purchase, Ken
Randall, Stuart
Reid, Dr John
Robinson, Peter *(Belfast E)*
Roche, Mrs Barbara
Rooker, Jeff
Ross, Ernie *(Dundee W)*
Rowlands, Ted
Salmond, Alex
Sedgemore, Brian
Sheldon, Rt Hon Robert
Simpson, Alan
Skinner, Dennis
Smith, Llew *(Blaenau Gwent)*
Spearing, Nigel
Spellar, John
Squire, Rachel *(Dunfermline W)*
Steinberg, Gerry
Straw, Jack
Sutcliffe, Gerry
Taylor, Mrs Ann *(Dewsbury)*
Timms, Stephen
Tipping, Paddy
Touhig, Don
Trimble, David
Turner, Dennis
Vaz, Keith
Watson, Mike
Wicks, Malcolm
Williams, Rt Hon Alan *(Sw'n W)*
Wilson, Brian
Wise, Audrey
Wright, Dr Tony
Young, David *(Bolton SE)*

Tellers for the Noes:
Mr. Tony Banks and
Mr. David Winnick.

Question accordingly negatived.

Orders of the Day

Pensions Bill *[Lords]*

As amended (in the Standing Committee), further considered.

New clause 6

PROTECTIVE COSTS ORDERS

'Where an application is made to a Court and—

(1) the Court is satisfied that there has been, in relation to the scheme, a *prima facie* breach of trust by trustees, and

(2) the application has been supported by scheme members under prescribed conditions,

the court may grant an order requiring the scheme trustees to pay the reasonable costs of scheme members in obtaining legal advice in order to pursue claims on behalf of the scheme.'.—*[Mr. Ingram.]*

Brought up, and read the First time.

4.5 pm

Mr. Adam Ingram (East Kilbride): I beg to move, That the clause be read a Second time.

Before I begin my comments on new clause 6, may I say that, although the Minister for Social Security and Disabled People is in his place, which is good to see, I understand that congratulations are due on his recent elevation to the post of Secretary of State for Wales? I only hope that the decision was not taken on the back of battles with the Celtic fringes while debating this Bill over the past few weeks.

I give the right hon. Gentleman a word of advice: understanding the Scottish accent will not stand him in good stead when he goes to Wales. The Welsh accent is entirely different. Gaelic may be somewhat similar to Welsh, but the right hon. Gentleman will have a hard task speaking to the Welsh in that language. I wish him every success in his new appointment, although he will hold his post for a very short time.

The new clause is straightforward in its intention. It seeks to give maximum protection to scheme members in circumstances where they are required to initiate a court action against trustees of their pension scheme when they consider that there has been a prima facie breach of trust by the trustees. The purpose of the new clause is to lay down a level playing field between trustees and scheme members in matters that require determination by a court.

The new clause is based on experience of recent judgments, which, although they have clarified the law substantially, still leave areas of uncertainty. There can be no dispute that the cost of legal actions against trustees for breach of trust can be extremely high, because of the length of such cases and the need for different sub-categories of beneficiaries to be separately represented.

Where scheme members, either individually or collectively, possibly and unusually with the support of their trade union, decide to take a case against their trustees or their employers, or jointly against them, for breach of trust, they face the prospect of open-ended and indeterminate costs. That is a major deterrent, especially if all costs are to be met by them if the case is found against the plaintiffs.

Trustees against whom the case is being brought do not face the same hazard, for the simple reason that their costs will be met by the trust fund. Trustees, therefore, have the added facility and encouragement to drag out cases, making them extremely expensive and creating a greater disincentive to scheme members to take action in the first place.

The most recent example of court action, on which the current law rests in relation to such matters, is the Melton Medes case. The case involved action being taken by beneficiaries against their employers, their pension fund trustees and others, in which they made serious allegations concerning the administration of the scheme.

The beneficiaries originally had the financial support of their trade union, the GPMU—the Graphical, Paper and Media Union—which paid out £250,000 in legal costs at the commencement of the case and as it developed. Understandably, however, the union decided that it could pay no more, because the case was open-ended. That left the beneficiaries unable to fund the case to its conclusion.

An application was therefore made to the court for a pre-emptive costs order. In the court's consideration, Justice Vinelott found in the plaintiffs' favour. As a result of the unprecedented nature of that judgment, the matter was then transferred to the Court of Appeal for further consideration.

Last August, the Court of Appeal upheld Justice Vinelott's judgment by declaring:

"What distinguishes the shareholder and pension fund member on the one hand from the ordinary trust beneficiary on the other is that the former have both given consideration for their interests. They are not just recipients of the settlor's bounty which he, for better or worse, has entrusted to the control of trustees of his choice. The relationship between the parties is a commercial one and the pension fund members are entitled to be satisfied that the fund is being properly administered. Even in a non-contributory scheme, the employer's payments are not bounty. They are part of the consideration for the services of the employee."

At the Court of Appeal, Lord Justice Hoffman, in his judgment, laid down some criteria to be used in future cases. They include the provision that the discretion can be considered in pension scheme cases only where the plaintiff members are suing on behalf of the trust estate. Another provision stated that the fact that the employer's residuary interest on a winding-up of the fund might be reduced by the cost of reasonable and bona fide proceedings coming out of the fund could not be conclusive against the making of an order, and that this was to be a factor in the exercise of a court's discretion. A further provision was that, if the plaintiffs were impecunious, unless the litigation was funded, serious claims would never be investigated.

Clearly that decision set an important precedent. It established the right of scheme members and beneficiaries with a legitimate grievance to obtain a protective costs order out of a pension fund to enable them to litigate at the expense of the fund, irrespective of the eventual outcome of the case.

However, the principles on which Lord Justice Hoffman made his judgment were narrow. It is important that the judgment had not been confirmed by the Law Lords, because the case was settled before the House of Lords had the opportunity to give further consideration to that new departure in law.

Others who have considered the judgment have confirmed that the principles set out by Lord Justice Hoffman were indeed narrow. In the "Occupational Pensions Law Reports", pensions lawyer and expert John Mesher stated:

"there is little guidance on which to predict how the discretion will or will not be exercised in the future, since the factors identified in it will be common to most cases where pension scheme members bring claims against the trustees or the employers."

New clause 6 sets out to replace the broad statutory right available to beneficiaries, which is subject to interpretation by the judiciary, who may not always find in favour of the beneficiaries, with a properly defined right in law.

The Government may argue—indeed, they have argued when the matter has been considered elsewhere—that the appropriate mechanism for dealing with matters of dispute is the newly established pensions ombudsman, who has been in place for about four or five years. It is accepted that the ombudsman may be able to resolve certain disputes, but he will not be successful in all cases, and recourse to the law will therefore still be required.

When the matter was considered earlier in the Bill's progress, Opposition amendments sought to place the financial responsibility on the new regulatory authority, saying that that body had a duty to fund such cases in the interests of natural justice. The Government did not accept that approach.

The Government's first argument was that there was a pensions ombudsman in place to take on such matters, and that it was therefore unlikely that there would be such disputes requiring clarification. It was clear that the Government accepted that cases could still end up in court, but they were not prepared to find a mechanism to assist the beneficiaries to fund any case that they might be forced to take.

Under the regulatory authority provisions, that chance is denied them, and I am not aware of any other mechanism available to them. Clearly, if access to justice is not to be denied, the only way forward is through the mechanisms laid down in new clause 6, allowing trust funds to be used in pursuance of such matters.

I accept the arguments advanced during our earlier considerations that litigation should be avoided if possible, but I hope that the Minister will accept that that will not always be possible. The likelihood is that recourse to the law will be required in some cases to clear up matters of doubt and to ensure that the scheme beneficiaries are properly protected against possible wrongdoing or maladministration of their scheme.

I accept that such cases may be rare, but they may easily end up in a court of law, so it is important that beneficiaries should not be disadvantaged relative to the powers that rest with trustees, who can draw upon trust funds to protect their interests. On that basis, I commend the new clause to the House.

The Parliamentary Under-Secretary of State for Social Security (Mr. James Arbuthnot): Clearly it is right that the interests of scheme members should be protected. If members have reason to challenge the actions of the trustees because they believe that there has been a breach of trust, effective and straightforward methods of redress should be available. New clause 6 proposes one way of meeting that concern, by indemnifying members against their legal costs.

[Mr. James Arbuthnot]

I make no bones about it—I shall be asking the House to reject the new clause, for two reasons. The first reason is that it gives the courts a power that they already have. That is a fundamental objection. The second reason is that there are other ways which are more effective than legal action by which scheme members may pursue their concerns. I suggest to the House that new clause 6 is unnecessary.

I shall first go through the other and more effective ways, which the House will consider important. The first avenue open to members who have concerns about their pension scheme will be the dispute procedures which trustees will be required to implement under the provisions in clause 49. Any member who has a grievance will be able to pursue it first with the scheme administrator and—if he remains dissatisfied—with the trustees or managers. It is right that scheme members should be able to ask the trustees to account for the decisions they make, and it is in the interests of both the schemes and the members that, if possible, disputes should be resolved by the schemes themselves.

If the member remains concerned after using the new dispute procedures, he will as now be able to take the matter to the occupational pensions advisory service and the pensions ombudsman. The member can be told how to get in touch with those bodies in the scheme documentation, and I have a couple of scheme documentations here—these are visual aids and props—to show precisely how the important bodies are drawn to the attention of members of pension schemes.

The Pension Law Review Committee recognised that any redress system should be effective and should have the full confidence of those using it. It should also be easily accessible and cost-effective. All those attributes are provided by the occupational pensions advisory service and by the pensions ombudsman. The occupational pensions advisory service offers free and independent advice to any scheme member who has a problem with his pension scheme.

The Pension Law Review Committee has recognised the worthwhile work carried out by the occupational pensions advisory service, and the Government remain committed to providing financial support for that valuable service. There may have been some confusion about what has been said about the powers of the ombudsman and the occupational pensions regulatory authority to seek the direction of the courts, as those directions would be funded by the levy and the funding of litigation costs.

I should now cover the services of the pensions ombudsman which are also available to scheme members free of charge. This was the subject of some considerable discussion in Committee, particularly in relation to my role as a Chancery barrister. The pensions ombudsman was set up in 1991 to provide scheme members with an easily accessible and cost-effective way of resolving disputes with pension schemes. He has wide-ranging and flexible powers, which allow him to deal with the sometimes complicated disputes that arise in pensions cases.

The ombudsman may consider complaints about injustice caused by maladministration and disputes of fact or law. I make it clear that that includes complaints and disputes involving trust law as well as breaches of statute. The ombudsman has the same power as the courts in requiring information and the examination of witnesses, and I should emphasise that his determinations—unlike those of other ombudsmen—are final and binding on the parties to a dispute, subject only to an appeal to the High Court on a point of law. Effectively, his determinations have the same force as court rulings.

The Pension Law Review Committee recognised the expertise and experience of the ombudsman in pursuing a variety of complex cases. Indeed, it recommended that his jurisdiction should be extended and should be available for the resolution of a wider range of pension disputes.

It would be productive at this stage to refer to the report of the Pension Law Review Committee. Paragraph 4.13.42 states:

"We have also considered whether to recommend that a tribunal be set up in place of the Pensions Ombudsman but we have not been persuaded by arguments in favour of a change of this sort. Whilst a tribunal is less formal than a court, creating a tribunal for pension disputes would still involve some of the elements that lay people find daunting: oral evidence, and an adversarial procedure, in which the protagonists confront each other and ask questions whilst the tribunal listens to the evidence, as opposed to the inquisitorial approach used by the Ombudsman, who investigates the facts and then decides on the basis of them. The Ombudsman's office has only been in place for a short time, during which it has established a good working relationship with OPAS and has investigated a number of cases in considerable detail and with great persistence. We therefore prefer to see changes implemented not by replacing the Ombudsman with a Pensions Tribunal but by introducing a series of rather smaller changes in the operation of existing institutions."

Although the new clause does not suggest that the ombudsman should be replaced by a pensions tribunal, it is instructive to listen to what the Goode committee considers to be the successes of the ombudsman.

Mr. Ingram: I accept that conclusion of the Goode committee, but it is worth while putting on record why it reached it. It received representations from the Council on Tribunals, which advised the committee that nothing less than an expert, properly constituted independent tribunal with a legal chairman would be apt for the purpose.

I hope that the Minister is not trying to suggest that the Goode committee recommendation represents the only judgment on the matter, and that therefore any other suggestions were unimportant, especially when a responsible body such as the Council on Tribunals has made such a strong recommendation that contradicts the conclusion reached by that committee.

Mr. Arbuthnot: I would not for a moment suggest that there are no arguments in favour of a tribunal. The Goode committee heard those arguments, and considered them carefully. It then published a report that is not small, and came to the conclusion that I have just read out.

At the moment, the ombudsman's jurisdiction is restricted to cases referred to him by individual members of pension schemes, but, as the Pension Law Review Committee recommended, in future he will also be able to handle complaints and disputes between employers and trustees and between the trustees of different schemes. Again, that will include cases involving breaches of trust law.

The Council on Tribunals has been fully consulted on the provisions relating to the ombudsman's jurisdiction. Although it might, understandably, want a tribunal to be created, I understand that it does not currently raise any objections to the ombudsman's jurisdiction and the extension of it under the Bill.

We recognise that it may not be appropriate for the ombudsman to investigate all pension scheme disputes. Certain matters will be specifically excluded from his jurisdiction, because the Occupation Pensions Regulatory Authority will have enforcement powers that are more likely to be effective in securing compliance with the legislation in certain matters.

My noble Friend Lord Mackay of Ardbrecknish explained in another place that we intend to make regulations which will exclude from the ombudsman's jurisdiction cases involving payment from surplus to an employer; failure to meet the minimum funding requirement; failure to comply with audit requirements; and the procedures for the appointment of member-nominated trustees and the scheme actuary. Concerns that scheme members may have about such matters will fall exclusively to the regulatory authority, which will have a wide range of powers to ensure compliance with statutory obligations.

I recognise that court action is expensive. It is also time-consuming, and it may be daunting for members of pension schemes. Through the occupational pensions advisory service, the pensions ombudsman and the introduction of the Occupational Pensions Regulatory Authority, we have provided the means for scheme members to seek effective redress for their grievances without the need for lengthy and costly litigation. Effective means of redress, other than court action, is therefore available to scheme members.

However, we certainly do not want to deny members access to the courts if that is what they want, and assistance is available for those members who decide to go to the courts. New clause 6 would allow members to apply to have the costs of legal advice met by the scheme trustees where the members are pursuing a case involving a breach of trust.

As I said, the courts already have that power. In the Melton Medes case, to which the hon. Member for East Kilbride (Mr. Ingram) referred, a number of scheme members brought an action against the trustees of their pension scheme. The members applied successfully for a protective cost order allowing their costs to be met from the scheme, regardless of the outcome of the case.

The hon. Member for East Kilbride read out parts of that judgment. However, I suspect that he may have read out those parts of the judgment that were modified by the conclusions reached by Lord Justice Hoffman. I suspect that the hon. Gentleman may have read out the historical position rather than the current position. If I am wrong about that, I hope that the hon. Gentleman will correct me immediately.

Perhaps it would be best if I were to read the summary in the "All England Law Reports", which states:

"An action by a member of a pension fund to compel the trustees or others to account to the fund was analogous to a derivative action by a minority shareholder on behalf of a company in that pension funds were a special form of trust and the analogy between them and the company/shareholder relationship was much stronger than ordinary trusts and, in both cases, a person who had given consideration for a limited interest in a fund (whether a pension fund or the company's assets) was alleging injury to the fund as a whole and seeking restitution on behalf of the fund. Since a minority shareholder was entitled to a pre-emptive costs order indemnifying him out of the assets against his costs and any costs he might be ordered to pay to the other party, the court could also make a similar order in favour of a pension fund member pursuant to s 51 of the Supreme Court Act 1981."

I do not believe that that finding is as restrictive as the hon. Gentleman suggested. The Court of Appeal made that ruling, and I understand that it will not be appealed further. Therefore, I suggest that new clause 6 is unnecessary.

Mr. Ingram: Does the Minister agree that the matter is not being pursued further in a higher court because a settlement was reached in the case, and therefore the reference to the Law Lords was withdrawn? If the case had gone to a higher court, a different decision might have been reached. I said that there was some doubt and uncertainty arising from the judgment and I based my argument on that point.

I have visual aids as well, and I could read out the whole judgment if that is what the Minister wants. However, I think that we should make some progress on the matter. I stand by my earlier remarks about the uncertainties that can prevail. We are still in a grey area, because the judgment was not considered in a higher court of law.

Mr. Arbuthnot: I am not entirely sure that the hon. Gentleman could read out the whole judgment, because I think I am the only person who has it. I have not spoken to the parties in the case, and I do not know what motivated them to come to a settlement after the finding of the Court of Appeal. However, until that judgment is overturned in the House of Lords—whether in this case or in another case—it remains the law of the land.

I believe that new clause 6 is unnecessary, because it provides a power that the courts already have and that they have exercised. It extends to scheme members the principle known as the Beddoes principle, under which trustees can apply to the court for an order indemnifying them from the trust fund against the costs of legal action taken on behalf of a scheme.

I have described a wide range of measures that provide scheme members with various means of challenging the actions of the scheme trustees. Schemes will have to provide dispute resolution procedures and they have access to an excellent means of redress through the free services of the occupational pensions advisory scheme, the ombudsman and the Occupational Pensions Regulatory Authority.

Following the Melton Medes case, it is clear that they can apply to the courts for protective costs orders if they prefer to take their case to the courts. I am therefore unable to accept that the new clause would serve any useful purpose. I hope that the hon. Gentleman will not press it to a division, because it would not improve the Bill.

Question put and negatived.

New clause 4

INVESTMENT POWERS: DUTIES OF TRUSTEES

'(1) Trustees or managers of a scheme shall, in relation to investments held by the scheme—

(a) make available to scheme members a statement of policy on the exercise of shareholder voting,

(b) maintain records of shareholder voting,

(c) permit the inspection by a scheme member of the voting records described in subsection (b), within 21 days of the date of a written request to trustees, and

(d) provide to a scheme member within 21 days of the date of a written request a copy of all or part of the shareholder voting record.'.—*[Mr. Dewar.]*

Brought up, and read the First time.

4.30 pm

Mr. Donald Dewar (Glasgow, Garscadden): I beg to move, That the clause be read a Second time.

Mr. Deputy Speaker (Mr. Michael Morris): With this, it will be convenient to discuss also the following: Government amendments Nos. 36 and 38 to 50.

Amendment No. 13, in clause 47, page 30, line 21, leave out 'may' and insert 'must'.

Mr. Dewar: This is a debate on quite an important issue by any standards; in fact, I am not clear why I used the word "quite"—perhaps it is innate moderation. It is an extremely important issue which generated a great deal of anger as certain events in industry and commerce were deeply resented by a wide cross-section of the public, and indeed, of informed and technical opinion.

The new clause addresses the issue of corporate governance. A great deal has been said about that in recent times, but it should be brought before the House during our consideration of the Pensions Bill. As anyone who has examined the facts and figures will recognise, pension funds hold a special place because of their growing financial muscle, which has built up spectacularly in recent years.

Much of the present discontent has been highlighted by one or two spectacular cases. British Gas attracted an enormous amount of publicity and Mr. Cedric Brown became famous. In my view, no reasonable man would want such fame, although there may be private consolations when he inspects his bank balance. Those cases have done a great deal to damage public confidence.

During the passage of the Pensions Bill, we spoke learnedly about the impact of the Maxwell case and what it has done to shake confidence in the management and solidity of pension funds. I do not want to exaggerate, but some recent instances, particularly those concerning private utilities, and the way in which managers have used their muscle and their privileged position to award themselves startling increases in salary and perks have made a profound impression on the public. If I lived in the City, worked in the City and lived on the City, I would be concerned about some of the public responses and the evident worry.

It is not just poor Mr. Brown and British Gas. In some ways, it is more alarming when people who are given the opportunity to enrich themselves do it with vim and vigour, although the chance arose simply through privatisation and not because of some great entrepreneurial skill that has driven out a new platform of economic activity and the opportunity to contribute to national growth.

The national grid might be a example of that. The existing operation ran on under new colours, but those colours provided the opportunity to move very fast in the direction of self-aggrandisement. I do not intend to make a lengthy speech about that aspect. I draw it to the attention of the House because it is a matter of particular sensitivity, but I have no doubt that the arguments can be rehearsed on other occasions.

The foregoing is symptomatic of a much wider problem of which the Secretary of State will be well aware. These days I read the *Financial Times* regularly. It reports pensions news and related issues in a detail that other papers cannot match. Reading it every day, I have been struck by the number of times I have come across details, now routinely reported, of the emoluments of chief executives and directors of public companies. It is clear that there are now people who are able, out of earned income, to build up significant capital fortunes in a way that some of us would have though inconceivable only 10 or 12 years ago.

Sometimes there are other perquisites, such as pension contributions which outrage common sense, and share options which yield profits comparable to a decent-sized win in the national lottery. I do not want to give the impression—I realise it is likely that the Secretary of State will charge me with this—that I am opposed to reward for initiative. If people work hard, if they have special talents or if they produce special results, that will and ought to be reflected in their earnings and their rewards. That is an inevitable part of the system; I do not protest against it. I am trying to put the case in comparatively low-key terms because I do not want to end up in a slanging match with Conservative Members over what they would describe as the politics of envy. That would not take the argument much further.

I am sure that Ministers will accept, however, that certain cases have raised eyebrows and that there is a worry which is widely reflected right across the sweep of industry and of those who comment on industrial and commercial matters. I wish here to use the words "offensive" in a justified but not excitable fashion. I find it offensive to see rolling contracts extending over a number of years. They mean that if someone has to go because he has not been a success or has not delivered as expected, he is paid sums which seem extraordinary to me—I was going to say "to you", Mr. Deputy Speaker, but that would be an impertinence on my part; I do not know how broad your vision of these matters may be—given that he is paid them simply because he has not succeeded in his job.

I am happy to recognise that worth must be rewarded, but the argument that firms are only paying the market rate has set in motion a ratchet phenomenon, whereby each supports the other and the ante goes up endlessly. There is genuine scope for abuse here. But I also recognise that this is not all about pay and executive perks. That would be a rather narrow basis on which to conduct the argument.

As I have said, we come across extraordinary examples in the papers. I, for instance, have been watching the activities of Mr. Sorrell of Wire Packaging and Plastic with considerable interest. At one time—admittedly, tied to performance targets—he was looking at a rake-in of about £35 million over the next few years. It is interesting to note also that the sum has been moderated and the man has been reined in as a result of shareholder pressure and a revolt by a cross-section of the institutions with an interest in WPP—which, despite its rather prosaic name, turns out to be an advertising agency holding company more familiarly known as JWT, or Ogilvie and Mather, and one or two other names of that sort. This is a startling example of the extreme end of the argument.

It is not just a question of pay. We also believe, in the context of investments in a public company held by a pension fund or any other institutional investor, that those investors ought to take a practical interest in how the company in question is run, in the interests of the beneficiaries of a pension fund or of the shareholders of an institutional investor. That would also lead to the better

government of the company under examination. I think of such matters as investment policy, environmental considerations, which often raise sensitive issues, and the difficult balance between profit and environmental considerations. There are other ethical and management issues that should be on the agenda and given active consideration by shareholders, especially institutional shareholders.

Short-termism in investment policy is often debated. It may be said, "This is a general problem. Why do you seek to impose a particular burden upon pension institutions and pension funds?" By the end of 1992—the percentage has probably increased since then—pension funds were reckoned to hold about 34 per cent. of the equity market, getting on for £300 billion. In 1963, it was not 34 per cent. but 8 per cent. There is a real question mark over how that substantial influence will be exercised and the level of responsibility that is expected of the funds.

There is not necessarily a great deal of dispute about many of the basic considerations of what should be expected. But there will be a dispute, I think, about whether we want to do anything about those who fall short of expected standards. That is perhaps the real purpose of the new clause. It is designed to provoke or invite some debate on that issue. We do not want—when it comes to short-termism, this is an important distinction—institutional investors or pension funds to be owners in a superficial sense. We do not want them merely to be dealers in the shares of the companies in which they have an interest. We do not want them watching and waiting to take a percentage profit when a share price reaches a pre-determined level and has a certain added value over the purchase price.

It is compatible and much in the interests of those for whom pension funds are in existence that matters such as research and development, investment and management standards come well to the fore. To encourage that positive interest we want to encourage positive ownership of the sort that I have tried to outline.

I remember talking to a managing director of a firm with a proud record of research and development and investment in it. My constituency does not throw up many such examples. The company was in a highly technical industry in which it did not produce spectacular results at the time. It was investing heavily for the future. A rather aggressive conglomerate came shopping for it with a hostile takeover bid. The managing director—in fact, he was the managing director of one of the subsidiary companies—was asked to see some institutional investors to discuss the issues with them and to try to persuade them that there was genuine interest in the company remaining in independent ownership and continuing its proud traditions of investment and innovation. There was also a national interest.

The managing director told me that what ensued was the most depressing experience of his industrial life. He visited largely Edinburgh investment offices. The House will be aware that Edinburgh is a large centre of investment funds. He said, rather bitterly, that he found people half his age in smart suits. It sounded as though it was rather like looking at the occupants of the Conservative Benches.

Mr. Ingram: They are not very smart.

Mr. Dewar: I think that there is a sartorial distinction between the two sides of the House. No one has ever accused me of being a dandy, but if the Secretary of State wishes to do so, I shall await his speech with interest.

The managing director went around the boardrooms, but the young men would not listen to his arguments. He described them—at least, I am interpreting what he said, so I shall describe them—as having brains like calculating machines and having about as much vision. They made it clear that if the price—the percentage mark-up on what they had originally paid—was right, the door would be slammed shut and the sale could go ahead.

There is a wider worry about institutional investors. That case was symptomatic of a general problem. The Secretary of State would not deny that investment in the United Kingdom, as a percentage of gross domestic product, has not been as good as it should have been. Between 1979 and 1993, our level of investment was lower than that of any of the other G7 countries. The deficit in investment in fixed capital relative to, say, France and Germany, is something like £1,000 per employee.

4.45 pm

It is not easy to put that right and I am not suggesting that a modest new clause in the Pensions Bill will resolve the problem. We have to start trying to resurrect an interest in a definition of ownership and stewardship for shareholders, and especially for institutional investors, that is wider than has been accepted in the past. It was on the basis of a wish to encourage healthy corporate governance that the new clause was tabled.

The new clause is something of a reprise. We have debated it in the House of Lords and in Committee. My noble Friend Lord Haskel raised the issue and argued the case forcefully. Lord Mackay of Clashfern, sounding a little like a boy scout, expressed good intentions but promised no action. We thought it right to return to it in Committee but we got very little help, I am afraid, from the Under-Secretary of State, the hon. Member for Wanstead and Woodford (Mr. Arbuthnot), who took that debate. It was an interesting debate in the sense that he conceded a great deal of the ground that I have outlined in this debate.

The relevant passages come from the Standing Committee's proceedings of 18 May. We had tabled an amendment designed to make sure that when investment principles were being considered and put into written form, the trustees of a pension fund would take into account their ability to exercise their voting rights. It was a comparatively modest peg for a discussion about the way forward.

I shall quote a few broken phrases to give the spirit of the Under-Secretary's argument rather than wearying the House with its detail. He said:

> "I am sure that we all agree that the intention behind the amendment—the improvement of good corporate governance—is admirable.
>
> Shareholders have a crucial role in influencing and ensuring good governance and the competitiveness of British industry . . . The Government are concerned that shareholders should take their corporate governance responsibilities more seriously. It is extremely important that they should subject the performance of their companies to critical scrutiny . . . The role of shareholders is crucial to the country's economic prosperity."

At that point, I was in the audience and not an active participant. I felt 10 ft tall and thought that I was going to get a gold star for good conduct. Clearly, the

[Mr. Dewar]

Under-Secretary thought that we were fighting the good fight. Rather oddly, he went off the tracks after that, because he started to consider what we should do, from that platform of agreement, about the nature of the problem. I do not disagree, but he said that

"good practice in corporate governance does not necessarily translate easily into legislation . . . The Goode committee considered the matter carefully. On ethical and socially responsibly investment, page 350 of the report says:

'We believe the present law to be satisfactory and do not recommend any change'."—[*Official Report, Standing Committee D*, 18 May 1995; c. 223-24.]

I have no doubt that the report did say that about the narrow issue of the rights of trustees to take into account certain ethical and environmental considerations, but that was not what we were discussing.

The Under-Secretary went on, even more strangely, to accuse us—at least by implication—by charging that the choice that we were offering was between forcing trustees to invest in a particular way and allowing them to make their own decisions on how best to serve the interests of their beneficiaries. I cannot imagine how the notion that we were forcing trustees to follow a certain investment course could be inferred from the nature of that amendment.

The point of rehearsing these arguments is to underline the fact that the Government accept that there is a problem and that a great deal needs to be done but that there is very little sign of their being prepared to consider any likely solution or even a modest first step forward.

We know that in total—I am referring to equity holdings—the assets of pension funds are getting on for about £500 billion. We know that they have a crucial role, especially in the equity market, and that good governance must involve them. If we cannot get them moving, it will be difficult to make any impact on the problem.

The House will know that, although there is a feeling that some progress has been made, there is clearly a long way to go. The National Association of Pension Funds, for example, has been charting the progress and examining in particular the way in which pension funds have been exercising their franchise at the shareholder meetings of the companies in which they have invested. There is no doubt that a good deal of progress has been made but, as the vice-chairman of the National Association of Pension Funds made clear at the association's most recent conference, there is still a long way to go. He accepted that the job was by no means satisfactorily completed.

The Cadbury report had a fair bit to say about corporate governance in general. I do not want to mislead the House, but it is a little odd to find that the Cadbury report referred to the fact that the Goode committee—the Pension Law Review Committee—was sitting and said that, in the light of that, it would be inappropriate for it

"to deal specifically with pension fund governance issues".

However, its comments about institutional shareholders and good governance, which I shall not quote at length, are relevant. It states that institutional investors should make positive use of their voting rights unless they have good reason for doing otherwise and that they should register their votes wherever possible on a regular basis. The committee recommended that institutional investments should disclose their policies on the use of voting rights. Although that report left the matter to Goode, I cannot see that it is any way likely that its general conclusion about corporate governance would not transplant—if that is not too agricultural a simile—to the world of pension funds.

Unfortunately, as the House will know, the Goode committee did not consider the matter. It considered everything else that man could think of, several things that man probably had not thought of and certainly many that man did not want to think about at all, although perhaps he should have wanted to do so. It is indeed a comprehensive report but, strangely—despite what the Cadbury report said—the Goode committee did not say very much about this particular matter on this occasion.

That is the general background. I hope that it will have convinced the Minister that we are not suggesting a sinister approach to an imaginary problem. The new clause is a genuine attempt to deal with a problem that is very real and a worry, whether to the NAPF or Cadbury or in Government circles. There is a recognition in every circle that the situation is unsatisfactory. Our share-owning democracy—a phrase that is occasionally used in Government circles—is not as developed in this country as we would like, partly because of the enormous importance of institutional shareholdings and, of course, pension funds, as I have being trying to outline. The new clause is a modest proposed step on the road to putting that right.

To summarise, the new clause tries to lay certain duties—I say "tries" because we do not know whether it will find favour—on trustees or managers of pension schemes to make available to scheme members a statement of policy on the use of their votes in the affairs of the companies in which they have invested, to maintain a record of what they have done, to permit inspection of that record and to provide copies of that record on written request within 21 days.

I must confess that I am sometimes astonished by the moderation of Labour Members. There is nothing in the new clause that anyone could say was extreme or objectionable. We are not trying to direct. We are not even going as far as saying that it should be mandatory to use the vote. We have tried to make the new clause compatible with the duties and responsibilities outlined in the current legislation.

We have tried to make the new clause a harmonious proposition that fits in the Bill well and have tried to ensure that it is not something that would panic or frighten the horses. That is, perhaps, an unfair way to refer to Ministers, but I am sure that the House will understand the reference. When I am trying to persuade people, I always try to use language that they understand. I do not think that the Secretary of State is a horsey type, so I fear that he does not conform—but I cannot really be responsible for his individuality, in a Conservative sense. I did not use the word "peculiarity" as I thought that it might put him off.

I now return to the argument, from which I was temporarily diverted. The new clause is modest but not unimportant, and it deserves serious consideration. Although it is modest, it is sensible and very much fits in with the provisions contained in clause 35. Hon. Members who served on the Committee will remember that clause 35 deals with investment principles. It reads:

"The trustees of a trust scheme must secure that there is prepared, maintained and from time to time revised a written statement of the principles governing decisions about investments for the purposes of the scheme."

It goes on to say that the statement must cover matters, which include the kind of investments to be held, the balance between different kinds of investments, risk, the expected return on investments, the realisation of investments, and such other matters as may be prescribed.

Given that there is to be a written statement, it seems to me that a positive attempt must therefore be made to formulate a coherent investment plan, that it is not unreasonable to say that, as part of that process—if one likes, not as an addendum but perhaps as a parallel to that process—those same trustees should consider how they will cast their votes in corporate governance and produce guidance as to the general position they will adopt in these matters. That seems to be absolutely reasonable. It will draw attention to the matter and encourage a positive approach. It will also give information, and these days we are all interested, rightly, in transparency and in allowing people who have an interest as potential or actual beneficiaries in a pension scheme to know how their funds are managed. It will give them an opportunity to assess how their affairs are run.

One of the reasons why we are picking out pension funds in this way, as opposed to other institutional investors, is that pension funds hold the money in trust for others. Trustees act on behalf of others, and a pension fund is a very important trust because it is a nest egg that, one hopes, will bring security in retirement. Surely, given those circumstances, it is not unreasonable to ask trustees to state their approach and to make that statement available to those who have a genuine interest.

5 pm

We could have gone much further. As the Secretary of State will know, in America it is mandatory, and has been since 1988, for the managers of pension funds to cast their votes. It is possible to escape the commitment only if the costs outweigh the benefits from the point of view of the beneficiaries of the pension trust. When I asked someone who was more familiar with such matters than I for an example of costs outweighing benefits, I was told that it might not be wise for a person with a holding in a Swiss company to exercise his mandatory duty to vote, as under Swiss law he would have to appear in person. Although that might prove popular with the executive sent on such a dangerous mission, it might not make much sense in other respects.

I have made the point light-heartedly, but we are discussing the heartland of capitalism, often cited by the Secretary of State as an exemplar to us all—especially in terms of the job creation record and the policies that he mistakenly imagines to have been responsible for that record. As I have explained, in the United States it is not enough to provide a coherent statement of policy to serve as guidance, which is what we are suggesting; votes must be cast.

I mentioned Switzerland because I understand that in August the rule was extended to overseas holdings. There have been some spectacular examples in that context, involving, for instance, the affairs of Saatchi and Saatchi, over which I shall draw a decent veil. We can all think of many other companies with substantial American holdings, however.

There has been an interesting shift in the statistics. American pension funds that used to invest a much smaller percentage of their total portfolio abroad than British funds are now increasing that investment markedly: there has been a large rise in the amount of buying of overseas holdings. Under American law, more and more will have to "punch their weight"—that is the cliché of the moment—and exercise their rights as shareholders at companies' annual general meetings. Many of the drug companies are involved, including Hanson—a company from over here that is doing very well over there. Its American shareholders will take a close interest in its affairs as a matter of legal duty. We have not gone as far as that in the amendment, because we realise that the Minister might bolt at the prospect.

Ours is a reasonable and sensible proposition. It concentrates the mind; it increases the pressure; it recognises the difficulties that still exist, as defined by the National Association of Pension Funds; and it fits easily into a slot in the Bill, as a natural continuation of clause 35.

The Minister is an individualist and may not advance the arguments that I expect him to advance, but certainly all his junior colleagues, such as Lord Mackay of Ardbrecknish and the Under-Secretaries of State, have taken shelter behind the Greenbury report—and his ex-junior colleagues. I hope that it was not listening to many hours of speeches in Committee that drove the hon. Member for Richmond, Yorks (Mr. Hague) to seek shelter in the Cabinet; I suspect that he may regret the choice, but there we are. We may have to wait for a final decision on Greenbury, although there are rumours that the committee will not recommend legislation.

In any event, our measure does not attempt to anticipate what Greenbury may or may not say. We are certainly not going into the more controversial issues such as mandatory voting, or the view—with which I have some sympathy—that if incentive payments are to be made they should not take the form of share options and the like but should constitute a bonus in the company's stock, to confer a sense of identification with the organisation and a vested interest in its future success. I understand that that is currently a strong trend in America.

We have not tried to infringe, preclude, anticipate, pre-empt or do any of the things that we might have tried to do by tabling a new clause that was simply propaganda and would have us shouting abuse from the roof tops. Our new clause is a genuine attempt to encourage a positive approach rather than leaving matters to a system that has not been performing as it should, and hoping that it is a case of "Physician, cure thyself."

The idea may not appeal to the Secretary of State, but I believe that the Government have a duty not to dictate or inhibit unnecessarily but to regulate sensibly and to set a framework within which people can realise the potential of their companies, and their own potential, to the best of their ability. I consider the new clause helpful, and I hope that the Secretary of State will view it in a friendly spirit.

Sir Andrew Bowden (Brighton, Kemptown): I hope that the hon. Member for Glasgow, Garscadden (Mr. Dewar) will feel that I am suitably dressed, in view of his comments about Conservative Members' clothes.

When I first studied the new clause, it struck me as fairly reasonable, but having listened to the hon. Member for Garscadden, I have become somewhat disillusioned. It is possible that I completely failed to understand what

[Sir Andrew Bowden]

new clause 4 was all about. If that is so, it is entirely my responsibility; but I put my name to the new clause because I assumed that it was essentially about supplying information to pension scheme members.

Many pension scheme members feel that they are boxed into an arrangement that prevents them from receiving much information about what is going on. Beneficiaries in particular feel isolated from the operation of the scheme in which they are involved. I should have thought that, in principle, they were entitled to have as much information as possible, so that they know how their scheme is doing and can express to the appropriate people any views that they wish to express. I shall listen with interest to what my right hon. Friend the Secretary of State has to say.

Let me explain why I originally put my name to the new clause. I am sorry that the hon. Member for Garscadden has left the Chamber, but I did not think that most of his speech was very relevant to the new clause—especially the first part, which was a thinly veiled attack on various executives in individual businesses. I look forward to an explanation from my right hon. Friend, not having received much of an explanation from the Opposition. If the new clause is about supplying information to pension scheme members so that they can understand better how their money is being used, where it is being invested, what the impact is and whether they have a role to play or a view to express, I consider it a reasonable proposal—

Mr. Geoffrey Hoon (Ashfield): Will the hon. Gentleman give way?

Sir Andrew Bowden: I should like to give way to the hon. Gentleman, but I understand that time is short and I gave a pledge that I would make a short speech.

If I have got the new clause right, I look forward to my right hon. Friend telling me about it, and I shall then judge what action I should take in the Division Lobby.

Mr. Hoon: May I make it clear to the hon. Member for Brighton, Kemptown (Sir A. Bowden) that new clause 4 makes it plain that it is concerned simply with the provision of information? As I hope to explain, such provision has implications for pension funds and the companies in which they invest, but the new clause is primarily an exercise in transparency for the benefit of people who contribute to their pension funds and therefore indirectly purchase shares in companies, specifically British companies.

We are concerned with corporate governance. We are trying to promote greater corporate responsibility on the part of trustees or managers of pension schemes in respect of shares held by a pension fund and of the use of associated voting rights.

The starting point for the debate must be the fact that United Kingdom pension funds hold assets totalling about £500 billion. It has been estimated that they hold about 35 per cent. of the total shares available on the UK equity market. Pension funds, along with many other institutional investors, are frequently the most significant institutional grouping among shareholders in any company. In practice, they may hold a controlling interest in a company.

It is important that, as pension funds are such significant shareholders in UK companies, they should exercise the responsibilities that go with voting rights and the holding of shares in a proper way. That should be in the national interest, as they receive significant tax concessions. They may have been able to accumulate shares in companies as a result of those tax concessions, which are, in effect, paid for by the UK taxpayer. The taxpayer must therefore have an interest in how those shares are held and in the manner in which funds are used and voting rights exercised.

The new clause therefore deals specifically with the accountability of pension funds for their actions, both on behalf of people who have paid into a fund and their consequential position as indirect shareholders in major companies. With the new clause, we are seeking to establish the responsibilities that pension funds have to people who have, in effect, paid for shares by their pension fund contributions.

The basic principle should be that scheme members who contribute to funds that are then invested in UK companies should have the right to know how the trustees or managers of the fund intend to use their voting rights to influence the policy and strategy of the company in question. Scheme members pay into the company, be it indirectly through their pension contributions, so surely it is not unreasonable to expect some information about how associated voting rights are then deployed. In essence, that is the purpose of the new clause.

We know that the Cadbury committee has made recommendations on good corporate governance. It concluded that the trustees or managers of pension funds have a responsibility to vote their shares. As has already been mentioned by my hon. Friend the Member for Glasgow, Garscadden (Mr. Dewar), to a great extent, that practice has been adopted in the United States of America. In 1974, legislation was introduced to encourage the process. Since 1988 it has been recognised that a shareholder's vote is an asset of a fund. That means that, in United States law, a pension fund has become under a duty to vote shares, unless there has been a positive decision not to do so.

Moreover, as I understand the position in the United States, it flows from that that the pension fund is required to inform itself of the role that its shareholding has in a given company and therefore of the role that its shareholding plays in influencing the direction of corporate activities.

5.15 pm

It appears that the Government do not especially object to that practice. Lord Mackay of Ardbrecknish said in another place:

"We are in no doubt that institutional investors, as owners of shares, have a responsibility to the companies in which they invest. As part of that responsibility, it is extremely important that shareholders should subject the performance of their companies to critical scrutiny. If shareholders see that their companies are not competitive . . . they must demand changes in the management and impose them if they must. It is not an exaggeration to say . . . that that function is crucial to our economic prosperity."—[*Official Report, House of Lords*, 13 February 1995; Vol. 561, c. 536.]

In Committee, the Under-Secretary of State for Social Security made similar observations, but, notwithstanding the acceptance of the general principle, it appears that the Government are not prepared to recommend legislation to bring about the very objective that they appear to support. Their argument appears to be that it is best to leave it to the market to decide, that the market will bring about appropriate changes in the way in which companies operate, and that, therefore, it is not necessary to legislate.

It is significant, however, to contrast the Government's view on shareholdings with the way in which they have repeatedly sought to regulate trade unions, which are, after all, voluntary unincorporated societies. Since 1979, they have faced a welter of legislation from Conservative Governments who have interfered in the internal working and democracy of what, after all, are voluntary organisations. Why should the internal activities of such organisations be regulated by legislation? The answer, as I am sure Conservative Members would tell us, is that trade unions play a vital role in our society, and that their functions are so important that they must be subject to legislation.

I do not disagree with that conclusion. Clearly, it is necessary that trade unions should be regulated. If they should be regulated in the interests of society, however, that must surely apply as much to pension funds, and in particular, the use of pension fund shareholdings in our major companies. If pension funds are able to determine the investment strategy of UK companies because of the size of their shareholding, surely that is as significant as the need to regulate trade unions.

Unfortunately, too often in practice pension fund shareholders have, in effect, opted out of their responsibilities. Too often, they have handed over proxy votes to the chairman of the company concerned and allowed him to use the proxy vote to preserve the status quo. Even when there was significant opposition to the position set out by the British Gas chairman from the floor of its annual general meeting, it was clear that institutional voters had lined up behind the existing management to preserve the status quo and to stifle the opposition. That is a perfectly proper use of their votes, if that is how they see their best advantage, but it is not unreasonable—this is all that the new clause would do—to suggest that pension funds in particular should be able to justify their decisions to people who have contributed to the pension fund. This modest clause does no more than that.

It is clear that pension funds' attitude towards the exercise of their voting rights has changed. Surveys have suggested that, between 1990 and 1993, only 20 per cent. of pension funds voted their shares at all times. By 1993, that figure appeared to have improved, with about 26 per cent. using their voting rights at all times. From other surveys, it appears that that improvement is proceeding steadily and that many more pension funds are prepared to recognise their corporate responsibility in this respect.

Where pension funds do vote, however, there is a concern, particularly in respect of contentious takeovers, that they employ their votes in an especially short-term and negative way, and that the culture in the UK has often been to establish, as a result of disputed takeovers, management teams that will guarantee simply the highest rate of return in the form of dividends. That encourages companies to concentrate on maximising dividends, perhaps sometimes at the expense of productive investment. We are concerned that a significant institutional shareholding in major companies encourages the attitude that develops dividends and profits at the expense of returning profits to, perhaps, research and development or new productive capacity.

The community has a clear interest in the sense that if pension fund shareholdings have been built up as a result of significant tax concessions, those concessions should be used for the benefit of British industry rather than simply for maximising profits. In the short term, that may not necessarily appear to be in the interests of the pension fund whose managers want to maximise the return year by year. However, it will be in the longer-term interests of contributors to the pension fund.

It is significant that the United States practice has developed in a way that ensures that investment is in the wider national and corporate interest. A United States institutional investor in a UK company could look at the wider interests of the company's performance, whereas a British pension fund manager, who might have narrower, short-term perceptions, would simply be concerned about dividends from one year to the next. There has been considerable academic criticisms of the United Kingdom practice of concentrating on short-term returns instead of looking at the longer-term benefits to United Kingdom industry.

Describing the new clause as a modest measure might encourage the idea that contributors to pension funds have a right to know how their contributions are being used, and whether the pension fund managers are exercising their voting rights, and if so, in what respect, so as to encourage, we hope, productive investment in British industry and in our ability to compete in the world.

Mr. Archy Kirkwood (Roxburgh and Berwickshire): The 30-minute speech by the hon. Member for Glasgow, Garscadden (Mr. Dewar) caused me some concern because I think that he was in danger of being too reasonable for his own good. Perhaps he is getting soft in his old age. He tiptoed on eggshells all over the issue, and that was quite unnecessary. I am sure that the hon. Gentleman had his reasons for doing that: there are tactical reasons for deciding whether to go in hard or gently. I am sure he knows what he is doing because he always does. I take a more robust view.

I thought that the hon. Member for Garscadden had just entered the Chamber, but I see that it is the hon. Member for East Lothian (Mr. Home Robertson) who is one of my constituents, from Paxton Mains.

Mr. John Home Robertson (East Lothian): I hope that the hon. Gentleman is looking after my interests.

Mr. Kirkwood: I am, and I always do.

I take a different view from that of the hon. Member for Garscadden. The new clause is clearly in the interests of fund members, and that is one of the overriding interests that the House should consider, certainly in relation to clause 35, which goes a long way towards giving pension scheme members a series of new bits of information. That is right, but the new clause is quite unexceptional. However, it is important in terms of giving powers in addition to those set out in clause 35.

I can see no argument of any kind against the new clause. It would have been better in gremio of clause 35 because a new, free-standing clause does not make it any easier for a practitioner who is trying to use the legislation to find his way round the Bill's provisions. I found my argument in support of the new clause on the fact that it clearly establishes new rights and entitlement to information that pension fund members must have. For that reason alone, the clause deserves support.

I take a keen interest in freedom of information and I assume that the powers in the Bill are new. I have no idea of the arrangements for pension fund members who want to ask for information under the existing rules. I assume that no pension fund manager in his right mind would

[Mr. Kirkwood]

deny normal, legitimate requests for information from bona fide members. As the hon. Member for Garscadden said, the new clause would enhance transparency. In the context of freedom of information and enhanced rights, it should be supported and encouraged, and I hope that the Government will do that.

The new clause has an important bearing on the way that joint stock companies organise and operate their decision-making process in the United Kingdom. I entirely agree that there are substantial worries that companies which are limited by shares are beginning to use their enormous financial power in a way that has caused concern in the past. The Government would be well advised to look more widely at the issue. It is not relevant, and technically not in order in debating the Bill, but the Department of Trade and Industry under its new Secretary of State, the right hon. Member for Galloway and Upper Nithsdale (Mr. Lang) should look at the whole question of how joint stock companies that are limited by shares are running well ahead of the game in terms of board decisions and the impact of pension funds on their decisions. That should be one of the Secretary of State's first jobs when he arrives at his new desk tomorrow morning.

That brings me to the fears that were expressed by the hon. Member for Brighton, Kemptown (Sir. A. Bowden). He was right to draw attention to the fact that the hon. Member for Garscadden entered into some potentially controversial issues about what would happen after people got the information and whether it would encourage them to take political decisions in the context of what was being done by those in charge of the pension funds and how they voted. But, with respect, that is a matter for them. The hon. Gentleman's interpretation of the clause was accurate, but the measure is more neutral than that. It does not seek to knock people into political positions one way or the other: they are entitled to make their own decisions and reach conclusions on the information that is available to them.

Like the hon. Member for Kemptown, I think that we cannot possibly take exception to the basic provision of information because that must be good in its own right. The hon. Gentleman's support is valuable. His signature on the clause adds an enormous amount of weight and will certainly concentrate Ministers' minds much more than would support by me or by the hon. Member for Garscadden. I expected the hon. Gentleman to say that he intended to withdraw his support because of his fears about the clause, but I assure him that his original interpretation of the clause was right. However, if people make up their minds to disagree with him politically, that is a matter for them.

I do not think that it is possible for the Government to remain agnostic on this question, and it is completely disingenuous to say that they will wait until Greenbury reports, because we shall all be on the beaches by then. I look forward to reading my copy of the Greenbury committee report on the beaches, as I am sure does the Secretary of State. It is no answer for the Government to say, as they have in the past—the hon. Member for Garscadden rightly pointed this out—that we should wait and see. It is a good Asquithian response, I am sure, but it does not measure up to the Government's responsibility.

The Secretary of State has a duty to say whether the Government are in favour of, or against, the proposal. It is a perfectly clear proposal. If the Government say that new clause 4 is technically inadequate, or that they will implement its proposal through guidance, or that they will use any of the other multifarious devices available, it would certainly be enough for me. But they must come off the fence to say one way or the other whether the proposal is a good idea or not. This is the last chance for Ministers on the Treasury Bench to express a view on that important question.

I certainly support the spirit of the new clause and will be looking to the Government to say something a little more positive in the debate than they have been able to say so far.

5.30 pm

Mrs. Helen Liddell (Monklands, East): A number of points have been made about the moderation of the new clause. Indeed, the moderating influence of my hon. Friend the Member for Glasgow, Garscadden (Mr. Dewar) is always with us. It is very tempting to explore more general issues about standards in public life because a great deal of the background to the tabling of this new clause relates to such issues, but that is not the first point of interest.

The new clause is about transparency and allowing pension fund members to know how the fund, to which they have contributed and on which they are dependent, is being managed. It is a common sense measure. Like the hon. Member for Roxburgh and Berwickshire (Mr. Kirkwood), I cannot understand why the Government are taking a negative line. Implementation of the proposal would be of considerable value in the operation of pension funds and it would also make people more aware of the possible impact of pension funds on the overall running of our corporate and industrial life in Britain.

In the British system, which is heavily reliant on self-regulation, it is important to use the mechanisms available to ensure the highest possible standards in the operation of companies. Pension fund members have the opportunity, through fund managers, to exercise an influence which would be for the general good of the companies and would play a role in transforming the landscape of our corporate and industrial life.

I have one specific criticism of the operation of fund management in relation to the boardrooms of Britain. It is, bluntly: the boardrooms of Britain are populated by a self-perpetuating clique. It is very rare that I find cause to pay tribute to the Prime Minister but, in one area, he drew attention to the fact that our boardrooms are a self-perpetuating clique whenever he referred to the absence of women in them. Indeed, he began Campaign 2000 as a means of trying to break some of those glass ceilings. The fact that he has manifestly failed in his endeavour is neither here nor there. At least it has been recognised that such cliques need to be broken.

I say that with a degree of passion because it was my misfortune to be involved in investor relations. Indeed, I was involved with investor relations with Mirror Group Newspapers immediately after the crisis was discovered following the misappropriation of company and pension funds. I was involved in a number of presentations made to the fund managers and I never want to see a prawn vol-au-vent or a canapé again. Much work is done behind closed doors by people who all work within walking distance of one another, who share the same clubs and, increasingly, share the same schools. Frankly, that is not sensible for the good governance of pension funds.

The other side of the coin of that exercise was having cause to make presentations to fund managers in the United States. I can assure the House that I would rather appear before a Labour party selection meeting than go again before fund managers in the United States because it was a brutal experience. They wanted answers, and they were entitled to them. That very determination to get answers has led to legislation in the United States.

Reference has been made to the Cadbury report. Some people assume that just because there has been such a report, all is well in the boardrooms of Britain. That is arrant nonsense. In more cases than not, the Cadbury report is honoured in the breach rather than in the observance. Any influence that can be brought to bear to increase standards is to be welcomed.

My hon. Friend the Member for Garscadden referred to the fact that institutional shareholders hold about 62 per cent. of UK equity in pension funds: roughly 35 per cent. of the equity market. If we want good stewardship of public companies, the institutional shareholder must use that power. It can be a boost to corporate power.

One example, although not directly related to pensions, shows the impact that action by companies can have, not only in the way that they do their business, but in the way that Governments can be influenced. Would Nelson Mandela be President of South Africa had it not been for the actions, not only of trade unionists and men and women throughout the world, but of companies? Indeed, a number of pension funds decided that they would take an ethical line on their investments regarding South Africa.

Increasingly, too, companies are taking a line on the environment. It is an important aspect of the life of those who can determine the future of companies that they act with the broader community in mind. Furthermore there is a responsibility to the pensioners to ensure that corporate decisions are soundly taken.

As I said, a self-perpetuating clique can allow boardroom inaction and certain aspects of boardroom behaviour can have a detrimental effect on the company. We hear about pay-offs. I shall not go down the road of condemning pay deals in the privatised utilities because that has been debated often enough in this House, but, from the point of view of pensioners, I am concerned that the impact on company performance and dividends available to pension funds of rolling contracts and big pay-offs must be taken into account.

Someone who is perhaps closer to the Secretary of State than anybody on the Opposition Benches, Mr. Alastair Ross Goobey, has very much made the case on behalf of POSTEL, now Hermes, on the whole issue of rolling contracts. The new clause will not affect the situation directly but it will mean that pension fund members will be able to see the voting records of their fund managers.

The case of British Gas has been mentioned. There was swingeing criticism of the activity of institutional shareholders at its recent annual meeting. Dr. Ann Robinson, formerly of the Institute of Directors and now of the National Association of Pension Funds, drew attention to the fact that it is extremely rare for institutional shareholders even to turn up at annual meetings. Dr. Robinson—not me—claims that institutional shareholders prefer quiet dialogue behind closed doors. That is not in anyone's interest.

It is also extremely important that there is no suggestion that pension fund managers for institutional shareholders in any way may be swayed by a conflict of interest. In ensuring that there is no conflict of interest, new clause 4 is very important. There must be transparency at all levels.

In the LEX column in the *Financial Times* on 31 December 1994, clear allegations were made that because executive directors who are trustees of pension funds award the mandates which give these very fund managers their lifeblood, it is not in their best interest to offend the hand that feeds them. That is a powerful argument for this new clause. In an article in *The Times*, Professor Tom Clarke of Leeds business school referred clearly to the environment of self-regulation. In such a climate, the penalties for non-compliance are hardly severe. They work in an environment which is like a gentlemen's club.

I refer to the situation in the United States where there has been a dramatic turn, as my hon. Friends the Members for Garscadden and for Ashfield (Mr. Hoon) have pointed out. Since 1988, it has been enshrined in statute in the United States that pension funds in the private sector have a duty to vote under the Employment Retirement Income Security Act. Since 1994, that duty has been extended to shares outside the United States. United States institutional investors now vote in 71 per cent. of all foreign companies in which they own a stake, according to the investor responsibility research centre, Washington. That figure was only 24 per cent. in 1991.

A classic example, which has been referred to before, is that it was a United States institutional investor who set in train the process that led to the ousting of Maurice Saatchi from Saatchi and Saatchi. Activities by US pension fund managers are expected to increase dramatically in the near future, which raises an issue for us here. There are a number of companies in which 25 per cent. of shares are held by US institutional investors and those investors will dictate standards within our companies. Does not logic suggest that British institutional shareholders should do the same?

One powerful argument was summed up by Mary Ellen Anderson, the director of investment and corporate relations at the State of Connecticut retirement and trust fund, who said of US companies:

> "They want our money. We have made it clear we are interested in investing but we are also interested in voting. We don't really want to do one without the other."

The new clause would secure that aim.

In March this year, the Teachers Insurance and Annuity Association College Retirement Equity Fund, the world's largest pension fund—and the one with the longest name—engineered the board room coup that brought down Peter Grace, the 81-year-old chairman of W. R. Grace. All of that led to a warning by Bill Crist, who is the board president of the California public employees retirement scheme. He said:

> "There will be an increase in the application of standards we attempt to maintain in the US to other parts of the world."

That is a lesson to us here in Britain. If the institutional funds of other countries are concerned about the operation of companies here, it is a damning indictment of all of us that we are not setting up the mechanisms whereby we can secure those high standards through British institutional funds.

[Mrs. Helen Liddell]

The new clause would not represent a dramatic move. It is in the interests of transparency and it flags up the fact that we wish to see the highest possible standards in this country.

Mr. Clifford Forsythe (Antrim, South): I have reservations about the new clause; I am torn in different directions and I shall explain why. I support all that the new clause says on the surface about transparency and I support the idea that members of pension funds should know what is going on in terms of investment and so forth. That is an excellent thing. However, there is another aspect to the matter which I ask those who have tabled the new clause to consider.

It was the mention of the United States that alerted me to a problem. Some of the pension funds in the United States are being used by certain elements to try to impose the MacBride principles on certain United States firms in Northern Ireland. That is being done despite the fact that the United States Government are against the MacBride principles and despite the fact that all the legislation for Northern Ireland passed by this House is designed to look after the interests of all citizens in Northern Ireland and to ensure that there is fairness, regardless of political, religious or any other views.

There are those who bring pressure to bear on the shareholders and trustees of funds and who say that the funds should be used in a political manner—in an anti-British manner in terms of Northern Ireland. I wonder whether those who have tabled the new clause considered that point. People who are against smoking, for example, might not want investments in companies that deal in tobacco. Others might be against any number of things and might insist that although the trade concerned was genuine, the fund should not invest in it. We could open up the door to all sorts of things.

5.45 pm

Legislation for Northern Ireland is passed by Members of this House. Even with all the parties in Northern Ireland opposing the MacBride principles, the pension funds and those who bring pressure to bear on them insist that some of the US firms in Northern Ireland should do certain things. That has an adverse effect on Northern Ireland; it does not help relationships in Northern Ireland. In that situation, the new clause and the ideas behind it could be counter-productive.

I would be happy for the system to be transparent and I would be happy for people to know about it, but I have the reservations that I have described. When the hon. Member for East Kilbride (Mr. Ingram) winds up, perhaps he would consider that point and make some comments which would be helpful to me.

Mr. Jim Cunningham (Coventry, South-East): The interpretation of the new clause by the hon. Member for Antrim, South (Mr. Forsythe) is not mine. I believe that the new clause is all about transparency, as some of my hon. Friends have suggested. I cannot understand why the Government cannot accept the new clause, given that about £500 billion is held in pension funds, in some cases not very stringently accounted for in terms of how the money is spent and how it is invested. Anyone who has experience of pension funds knows that. It should be a basic principle that anyone contributing to or investing in a pension fund should know what the fund's policy is. Unless one knows what the pension fund's policy is, one can encounter all sorts of problems. It is because certain pension funds made information available that great pressure was brought to bear on the South African Government to make changes, which led to the election of Nelson Mandela. I hope that the Government will take that aspect on board. Equally, if representatives cast their votes in pension funds, we should know what issues the representatives have voted on and how they have represented the pension fund members.

Another area which is of tremendous concern to people outside the Chamber after the events of the Maxwell fiasco, which I shall not repeat today, is the power of trustees and the accountability, or lack of it, of trustees. I should have thought that the Minister would give an early indication that he accepted the new clause. From time to time, Ministers—some of my hon. Friends have mentioned this—have referred to the reasons why they had to introduce legislation against the trade unions. That was all about what they claimed to be transparency and accountability. For the life of me I cannot understand why the Government cannot adopt the same principle here—after all, it is their principle—and accept the new clause.

Hon. Members must remember that pension funds derive many tax concessions from the taxpayer. Taxpayers contribute their taxes and rebates are given back in their name, but they do not seem to have much influence on what is done with the money.

Then there is British Gas, for example, or the water companies. Money has been invested in them but there is not much transparency or accountability. Some of my hon. Friends have said that not many people know, for example, the policy of the water authorities—I shall not mention British Gas—on executive perks. People, especially the people who contribute to the pension funds, should have some influence on such matters.

A further aspect worries me, and it has not yet been touched on in the present debate. Employers often use pension funds to invest in their companies when there is a question of whether they can survive. Yet they do not refer to the employees to see what they think about it. That issue is not highlighted often, but there certainly have been instances of employees finding that their money has been used to prop up a company that has eventually gone bankrupt, and they have lost their pensions.

Equally, employees often find that some of the conditions that they thought that they would have after retirement are not available. As many as 6 million people could be in that position, because during the 1980s when there was not much transparency about pension funds many people were encouraged to move out of the state earnings-related pension scheme into private pension schemes. Many hon. Members will know that such people now turn up at our surgeries and ask us to try to sort out their pension problems. That is another reason why the Government should accept our reasonable amendment.

Ms Judith Church (Dagenham): It is clear that comprehensive information is a vital prerequisite of any correctly functioning market. Full information for scheme members is all the more important in the pension fund market, given the concentrated nature of the power in the hands of a few trustees and fund managers.

Efficiency depends on each level of authority being accountable to those whom it represents, yet at present scheme members do not even have a right to see the voting records of their trustees. Clearly that information would have a significant bearing on whether members are satisfied with the conduct of those trustees.

The logical solution—it certainly seems logical to Opposition Members, and we have heard many excellent arguments about why the measure is sensible—is to have a legal commitment to proper disclosure. That move is obviously necessary following the pensions industry's pallid response to the Cadbury report.

The recent actions of fund trustees in backing enormous pay rises for utility bosses serve only to emphasise the problem, which has been in existence for some time. Conservative Members are just beginning to realise how people throughout the country have been sickened by the way in which decisions taken in secret to award huge bonuses and enhanced pension rights to executives have feathered the nests of people whose nests they consider to be over-feathered already.

All that is done in secret, so it is detected only by quite difficult forensic investigations. As the Barber judgment defined pensions as deferred pay, it seems only fair that employees should have better information about how their trustees are using their future income.

This is not a trivial matter—far from it—and I hope that the Government realise that. The failure of those affected by the various operations of different enterprises to find out what is going on within those enterprises litters history, especially recent history. That covers the prominent failures to disclose information on vital health and safety issues that has led to the loss of life in incidents such as the Piper Alpha disaster, the Herald of Free of Enterprise sinking, the Clapham rail disaster, the King's Cross fire and others too numerous to mention now.

Conservative Members may think those disasters remote from the operations of the pensions market, but there is a striking common factor—the culture of secrecy and the failure to provide information to people who are not only entitled to it but whose lives may be seriously adversely affected if it is withheld.

Contrast that with the charters that the Government have promoted, which are stuffed with information, much of it unintelligible and only remotely relevant to people's everyday lives, but which are heralded by the Government as their contribution to open government. Why are the Government permitting the secrecy that will seriously imperil the security of pension funds and the recipients of pensions? We can think only that their stated central objective of setting a framework for an efficient market is to be undermined by their refusal to accept our proposals.

If we are to have a properly functioning efficient market, the core of the structure has to rest on assuring proper information flows. Without the new clause the Government will create an environment in which full information is not a right but a privilege. How can there be confidence in such a market when scheme members are denied basic information on the voting records of their trustees? If the Bill is not changed it will create a market characterised by secrecy, inequity and inefficiency. Is that really what the Government want to achieve? Millions of pension scheme members think otherwise, and they look to the Government to back their words with action, but I fear that they will be disappointed.

The measures that we propose would give a further boost to trust and confidence in the operation of the pensions market, which badly needs such a boost. Do the Government not realise that the public have lost confidence in those operations—rightly, I believe, in view of all the scandals and mismanagement? Why do they not take the opportunity to tackle that serious problem and to put right what so desperately needs correcting?

From the perspective of the public, the only conclusion to be drawn if the Government fail to support our proposals is that the Labour party will champion the interests of the typical fund member, improve the operations of the fund market and bring transparency and security to the pension fund arrangements of thousands of our retired citizens.

Mr. John Denham (Southampton, Itchen): The hon. Member for Antrim, South (Mr. Forsythe) posed an important and challenging question. Fortunately I do not have the responsibility of speaking from the Front Bench, so any views that I express spring from my own interpretation. I would love to give the hon. Gentleman a totally reassuring answer, but in all honesty I cannot. He asked whether we were prepared to live with the consequences of allowing members of pension funds to exercise greater rights over their money as held in investments in those funds.

I am a deferred member of an occupational pension scheme managed by one of the leading ethical investment houses in this country. When I was self-employed and took out a personal pension I also, as an individual, chose to invest in an ethical scheme. If I buy a personal pension I can make an ethical choice about how I want the money to be invested, and if I am a member of a collective scheme I should, with other members of the scheme, be able to exercise the same rights. Clearly, the new clause does not take us to that situation, as it is more limited in its scope and deals mainly with transparency.

The hon. Member for Antrim, South rightly said that if we go further down that road, as I hope that we shall, all sorts of safeguards and procedures will need to be brought into place to ensure that some of the problems to which he referred, including the policies of a democratic Government being subverted by such measures, can be properly dealt with. I see the new clause as part of what I hope will be a series of changes that will influence corporate governance in this country and help us to tackle the fundamental contradictions of British economic and pensions policy.

6 pm

The growth of pension funds in this country in the past 50 or 60 years is a remarkable phenomenon which has not occurred in most other European countries to the same extent. It is a voluntaristic—one might say socialistic—approach to employers and employees contributing towards pension fund savings, and it has produced a huge mass of funds. At the same time as that growth in savings by employees and employers has occurred, British industry has been starved of investment. This country has an appalling investment record, and it has been particularly appalling in the past 15 years. I do not think that anybody could suggest that there has been a "golden age" in the past 15 years when the level of investment—particularly in manufacturing industry—has been at a satisfactory level.

[Mr. John Denham]

I hope that the new clause will help to start a process of attacking the contradiction in which people in this country are putting aside huge sums in savings while there is a total failure by financial institutions and businesses to invest that money where it is needed. It is clear that there is a problem at the interface between the management of funds and the small and medium-sized enterprises which are currently being starved of investment. Something in the interface between the savings that people put aside and the needs of the economy is breaking down badly.

There are two reasons why that interface has broken down. The new clause begins to address the first of those reasons, which is that members of pension funds have become totally detached from the use and investment of their money. They have no say in and no knowledge of how their money is used. It is taken away from them and put in the hands of a professional elite who are, of course, supposed to be bound to act on behalf of the members' interests, but whose decisions, values and judgments cannot be challenged or questioned by the members. It is dangerous to see so much money and power slipping out from the grasp of members.

The second problem, which the new clause also addresses in part, is that the criteria by which pension funds are managed contributes to the problem of short-termism and the lack of funds for investment in the economy. There is a lack of information coming through to members. It is a remarkable feature of our lengthy discussions on the Pensions Bill that while we have discussed minimum funding requirements and a number of other investment criteria, we have not had a debate about where the money held by pension funds is invested. It has been assumed throughout that the narrowest definition of a return on pension funds is the most appropriate one, and that if the fund manager aims to produce the highest short-term investment result the wonders of the market will ensure that the money is invested in a most efficient and effective way within the economy. Yet that is clearly not the case. Short-term gains being pursued by pension funds will create a society in which people will not wish to enjoy their retirement because unemployment is too high—

Mr. Deputy Speaker: Order. The hon. Gentleman's speech is getting rather broad. His remarks are very interesting, but they are not directly relevant to the new clause. I would be grateful if he would get back to the new clause.

Mr. Denham: The problem is that members of pension funds have no information about how their funds and savings are invested on their behalf. They are unable to scrutinise the policies adopted by the fund managers, or the criteria used by them. If those criteria are too narrow, it creates a situation in which the funds are invested in a way that is not in the long-term interests of members. That is the issue that I am seeking to address.

Mr. Deputy Speaker: Order. I have been listening attentively to the hon. Gentleman and I am well aware of his point, but there is nothing in the new clause about what the rules and regulations of fund managers should be. I accept that there is a debate to be had on that matter, but not during discussions on the new clause.

Mr. Denham: One of the issues that fund managers must address is the question whether they follow market trends and shift investments from one company to another or whether they stick with individual companies for a long period. When more information is made available to the members of funds about the voting record of their fund managers, it will become more apparent to the members whether the company is backing major British companies over a long period of time and exercising its voting rights responsibly in seeking to influence the development of the company—as advocated by the Cadbury report—or whether the fund managers are switching the funds on a regular basis from one company to another because they anticipate a short-term increase in profits.

Once the information becomes available to members of pension schemes, as sought by the new clause, they will be able to interpret the strategy being pursued on their behalf by fund managers. Making information available to fund members will raise awareness in a healthy way of the power of the money that they have invested in a pension fund and the need to see that that power is exercised responsibly.

It is true that the public debate on the issue over the past few months has centred on the important, but rather narrow, issue of payments to the bosses of privatised industries. It may well be that, in the short term, the immediate effect of publishing voting records will be to focus attention on questions of executive pay, over-pay and perks. That would be reason enough for making voting records available to members of schemes, but the real prize in the long term for members of a scheme is to know whether their funds are being applied in their interests and in the long-term interests of the British economy.

As the debate on the application of pension funds is generated, we shall begin to bring about the change in culture that is needed if we are to produce a better economic performance in this country and to make the maximum use of the funds of pension fund members which, as hon. Members have said in the debate, have now reached a very large sum of money in total.

By increasing the transparency and operation of funds and seeking the publication of voting records, the new clause may provide a middle way between the "do nothing" approach of the Government—who do not want make to make any changes to the culture of investment and operation in the City or to the investment policies of funds—and the other argument, which is more or less in favour of the sequestration of pension funds. The latter argument is that instead of fund members knowing how their funds are to be dealt with, the funds are sequestered by a Government agency and invested on their behalf. That is neither politically nor economically desirable.

If we wish to raise the awareness of the members of pension funds about where their savings are going and how they will be applied, we must give them information about how their votes and influence will be used by the pension fund managers. That would, over time, send some shock waves through the culture of the City of London. There are many people who vote those funds or who do not vote those funds who assume that, by virtue of their professional position as fund managers, they have an absolute right to use those funds as they think best. They also assume that their criteria and their judgment are best. It will be good to open the culture of the fund managers in

the City to the scrutiny of pension fund members. Those managers will then be asked to justify the decisions that they take on behalf of millions of people.

The Secretary of State for Social Security (Mr. Peter Lilley): I enter, or re-enter, the debate on the Bill with humility, conscious as I am of the depth of expertise that has been built up by those hon. Members who served long hours and days in Committee. I recognise the quality of the debate that has taken place on many of the issues not just in Committee but on Report.

I pay tribute to the calibre of the Members involved from both sides. My opposite number has played a full part, often a constructive one, in the discussions. I also pay tribute to my hon. Friends the Minister for Social Security and Disabled People and the Under-Secretary of State, to whom I shall refer again on Third Reading, when I hope that they will be present, despite renewed responsibilities for both of them in, I regret to say, other areas than my own. One of the consequences of working for me is that one gets promoted.

Mr. Dewar: Perhaps the Secretary of State will agree that there is a lot to be said for a policy of short sentences.

Mr. Lilley: Yes. That is something of which I have a little experience, having been one of the longest-serving Secretaries of State at the Department of Trade and Industry—once I passed the 11-month mark. I have been in office at the Department of Social Security for three years.

I have chosen to participate in the debate on new clause 4 not just because of the chance of timing, and certainly not because it is the most important issue, nor because I am totally opposed to the spirit at least of what some hon. Members believe lies behind the new clause. After all, I would welcome, if I believed that it was wholehearted, the Opposition's conversion to belief in shareholders' power. I agree that institutional investors should be encouraged to exercise their shareholders' power and to develop long-term relationships with companies. That has long been the Government's objective. We endorse the Cadbury recommendation that institutional investors should

"use their voting rights positively".

We facilitated the Myners group working party into co-operation between corporate management and institutional investors. I strongly approve of the initiative led by Postel to adopt best standards and, notably, to limit the length of rolling contracts.

I recognise the concerns that some shareholders have about executive pay. If I were a shareholder in one or two companies I would want to be convinced that the managers were paid neither more nor less than their market worth, because if they were paid more than their market worth I would know that that money was coming out of shareholders' funds.

What distinguishes our approach from that of the Opposition is that we recognise that there is already an obligation on trustees, and through them on those whom they appoint to manage their funds, to act in the interests of the beneficiaries of that fund. That includes acting in their interests when deciding whether and how to exercise the voting rights on their shares. The question is whether we should decide how they should fulfil that obligation and spell it out in law.

I have distinct reservations about the Opposition's approach because it exemplifies, albeit in miniature, three characteristics of the Labour party's approach to investment in industry which give rise to concern.

First, the new clause would impose unnecessary specific burdens on the management and trustees of investment funds through extending unnecessarily the bureaucratisation of best practice. If anything is good, the Opposition tend to think it should be imposed by statute. I fear that if that practice were carried a little further we would see a Labour Britain in which anything that was not forbidden would be made compulsory.

It is true that it is a good thing that trustees should take their responsibilities seriously, and that may involve thinking through systematically their approach to how they use their voting rights, but that does not automatically mean that we then have to impose on each and every trust and fund a requirement that they work out and specify a statement of such policy. The practical effect of that would be to impose a time-consuming burden on the trustees. They would have to sit down and try to think out an abstract statement of policy. That may be quite easy to pursue in practice, but rather difficult to express in abstract form. It would inevitably lead to vague platitudes, meaningless generalisations or to the rigid codification of whatever is current fashion. All too often those trustees would simply be unable to foresee the actual problems on which they would have to vote, and they therefore would be unable to spell that out. They would have to go back to their beneficiaries subsequently to explain a change in policy in the light of unforeseen circumstances.

6.15 pm

The second reason why I have reservations about the Opposition's approach is that it would lead inevitably to the politicisation of business and investment. For all I know, that may be the consequence of what remains an instinctive Opposition approach to business and investment—and, indeed, to life in general. They see life as a political process. It is significant that all the examples cited by Opposition Members of how institutional shareholders should use their votes related to political matters—sex equalisation and job equalisation. The hon. Member for Antrim, South (Mr. Forsythe) pointed out how businesses in America are compelled by pressure groups to use their votes for political purposes, involving them in the politics of Ireland and backing Irish republicanism.

Opposition Members have also referred to pay and inequalities in pay, but we have heard absolutely nothing from them about how voting power could be used to improve the performance of business in the normal economic process.

Mr. Hoon: With respect, the only example I gave of how the new clause might encourage the use of investment was investment in the productivity capacity of British industry. Does the Secretary of State object to that?

Mr. Lilley: I will certainly read what the hon. Gentleman said, although I thought that he distinguished between some national interests in investment and the interests of the businesses concerned. I may be mistaken about that. I will certainly discuss the issue of long-termism versus short-termism.

Mr. Denham: For the record, I hope that the Secretary of State will concede that I also said that one of the

[Mr. Denham]

reasons for publishing the voting record is that it would enable members of a pension scheme to see whether their fund managers were making a long-term commitment to the company.

Mr. Lilley: That is splendid. I should have made reference to that. All the specific points raised were political, however, and the hon. Gentleman did not tell us specifically—unless my attention slipped—how trustees should spell out in their policy statements, as the new clause requires, any policies towards business which would make it more efficient.

The danger of politicising the decision making of companies is that it distracts business leaders from the business of business, which is business, to political considerations. We, and even the Labour party, lost faith in nationalisation because it diverted attention from business to political considerations. Conservatives still reject Government intervention in industry because it means the inevitable politicisation of industry. It is a great paradox that the clause is known as new clause 4, which seems to suggest that it will socialise industry. In fact, one Labour Member spoke about a socialisation process and referred to the instruments of collective government. That is a legitimate view, but it is not one that we endorse.

Of course businesses and investors should be ethical, honest and honourable in all their business activities. I agree with Samuel Johnson, who said:

"There are few ways in which a man can be more innocently employed than in getting money".

That does not mean that we should try to pretend that a prime concern of business is addressing the political and social problems of the day rather than running the businesses concerned in an honest, honourable and efficient fashion to the long-term benefit of their shareholders—the members of the pension trusts.

I have a third reservation about the new clause and the direction in which it is heading. It could lead to a transfer of power from trustees to political activists and to a conflict of responsibilities for the trustees. At present, trustees have a clear legal responsibility to act in the interests of the beneficiaries of the trust. New clause 4 implies that trustees should represent the views of current members and, in practice, the views of the most articulate and politically motivated members.

Labour Members may argue that new clause 4 imposes no such obligation. If it stopped short at subsection (a), that would be fair enough. However, subsections (b), (c) and (d) would have the inevitable effect of subjecting trustees to pressure from scheme members—especially those who are motivated and organised by pressure groups. That would have an insidious and undesirable coercive effect on trustees which, to the extent that they succumbed to it, would be improper. Their responsibility is to the long-term interests of beneficiaries and not to the short-term pressures or views of any group of members. We would be very unwise to create any such conflict of interest. I hope that that is not the intention of the Opposition amendment, although it may be a consequence of it.

Opposition Members suggested that the normal time horizon of investors is a short-term one. I hope that the time horizon of any managers of pension funds in which I am involved will be long-term. I would like to think that they were investing for a retirement that was due to begin only at a considerable distance into the future and which would continue for some decades after that. At least my own retirement has not begun today.

I believe that it is logical, legal and natural to oblige people running a pension fund to take a long-term view. They should not be terribly concerned about the precise movement of profits from quarter to quarter if they do not reflect the underlying trends and prospects of the company.

Mr. Denham: The Minister said that it would be logical to take a long-term view and not to move with prices from quarter to quarter, but does he really believe that that is what pension fund managers are doing? I believe that many pension fund managers are driven by pressures to operate according to quarterly results, which diverts them from a long-term commitment and involvement in major and growing companies.

Mr. Lilley: We could spend a long time debating the subject—I am not sure how much time the Front Bench spokesman wishes to spend responding to the points that I and other hon. Members have raised. My point is that it is not just a logical obligation: fund managers are obliged legally to act in the interests of the fund beneficiaries. There are long-term interests to match the liabilities which are imposed on the schemes.

One must distinguish between taking that legal obligation seriously and responding to the long-term interest, and simply sitting indefinitely on a company, unmoved and inactive. It may be best to sell a company if one thinks that its value is out of line with its price in the marketplace. That would have a beneficial effect in the long term through the operation of market forces on the allocation of capital and, conceivably, on the management of the company. We should not equate taking a long-term interest with not trading in shares. A case can be made for trading in shares and thereby fulfilling the obligation to the beneficiaries of the scheme.

If trustees were subject to political pressures through the sort of approach indicated in new clause 4, we would impose a much shorter time horizon upon them. The time horizon of those who were likely to manipulate the processes under the new clause would be that of the political process, which is usually much shorter than the time horizon of pension funds. It involves current fashion and current issues or those matters associated with the electoral cycle. It would be regrettable if those pressures were brought to bear on companies in the way that new clause 4 implies.

I am not suggesting that the new clause would mean an end to capitalism and a return to the contents of the old clause IV, from which the Labour party has so recently escaped. However, I think that it has some of the symptoms that concern us about the Labour approach to business and industry, such as the belief that ever-increasing burdens may be imposed upon industry without a thought about the costs involved in diverting attention from the main function of management investment. There is also a cost in terms of politicising the process and in terms of creating a conflict of interest between the real responsibilities of trustees to the long-term beneficiaries and the short-term pressures of the views of the more articulate members of the schemes.

I am afraid that I am unable to recommend that my colleagues endorse the measure—moved though I was by the plea from the hon. Member for Glasgow,

Garscadden (Mr. Dewar) that I should approach it in a friendly fashion, and charmed though I was by his suggestion that we were in any way sartorially superior to Labour Members—I see no good evidence of that, although no doubt he has a better view from his side of the House.

Mr. Dewar: There are great hazards in parliamentary life, one of which is that one starts to get quite fond of one's opposite number. The Secretary of State must be the last man in Britain who believes that the arrival of a Labour Government will mean that everything that is not forbidden will be made compulsory. That is a very quaint view. He always gives me the impression that he has been dragged screaming and struggling into the 19th century. If we wait a few months or years, he may even get there.

The Secretary of State's speech was an embodiment of the conspiracy theory. I am slightly embarrassed that this poor new clause—which seemed to me to be almost harmless—is now being seen as part of the great conspiracy to politicise pension funds. I think that that is quaint and curious. So far as I can see, the politicisation charge boils down to the fact that the clause would ensure that members of funds receive information which would allow them to take an interest in the management of the funds. I suppose that that may be a form of politicisation, but I understood that it was a form of politicisation that everyone approved and wanted to encourage.

If the Minister is worried about the proposal and gives it such sinister connotations, he had better read the rest of the Bill before it is too late. That wicked left-wing group the Goode committee, the Pension Law Reform Committee, has been making all sorts of nasty suggestions about giving more information and giving scheme members a greater say in the running of schemes. I fear that it may encourage people to take a political approach to such matters. This is a obviously very dangerous Bill and the Minister had better do something about it before it gets an unopposed Third Reading later tonight. The fact that the Labour party is not voting against the Bill is proof positive of just how dangerous it is.

6.30 pm

It is a great pity that the Secretary of State was not on the Committee because he would have discovered that the whole point about conspiracies is that they are secret. The Minister for Social Security and Disabled People, who is about to be his Cabinet colleague, is clearly part of the conspiracy because he has not warned the Secretary of State that clause 35 is full of nasty regulations on which creeping socialism can be based. To mix metaphors, it is a big Trojan horse full of people like me who will spring out and destroy capitalism as we know it. I have decided that that is my historic role. The Secretary of State should realise that that is all nonsense.

New clause 4 is a good clause which attempts simply to bring into legislative form best practice and to ensure that what most good pension funds are doing is done by all. I commend it to the House and we shall certainly divide the House on it.

Question put, That the clause be read a Second time:—

The House divided: Ayes 249, Noes 275

Division No. 199] **[6.31 pm**

AYES

Abbott, Ms Diane
Adams, Mrs Irene
Ainger, Nick
Ainsworth, Robert *(Cov'try NE)*
Alton, David
Armstrong, Hilary
Ashton, Joe
Banks, Tony *(Newham NW)*
Barnes, Harry
Barron, Kevin
Bayley, Hugh
Beckett, Rt Hon Margaret
Beggs, Roy
Bell, Stuart
Bennett, Andrew F
Berrningham, Gerald
Berry, Roger
Betts, Clive
Blunkett, David
Boateng, Paul
Bradley, Keith
Bray, Dr Jeremy
Brown, N *(N'c'tle upon Tyne E)*
Bruce, Malcolm *(Gordon)*
Burden, Richard
Byers, Stephen
Cabom, Richard
Callaghan, Jim
Campbell, Mrs Anne *(C'bridge)*
Campbell, Ronnie *(Blyth V)*
Campbell-Savours, D N
Canavan, Dennis
Cann, Jamie
Carlile, Alexander *(Montgomery)*
Chidgey, David
Chisholm, Malcolm
Church, Judith
Clapham, Michael
Clark, Dr David *(South Shields)*
Clarke, Eric *(Midlothian)*
Clarke, Tom *(Monklands W)*
Clwyd, Mrs Ann
Coffey, Ann
Cohen, Harry
Connarty, Michael
Cook, Robin *(Livingston)*
Corbett, Robin
Corbyn, Jeremy
Corston, Jean
Cousins, Jim
Cunliffe, Lawrence
Cunningham, Jim *(Covy SE)*
Cunningham, Roseanna
Dalyell, Tam
Darling, Alistair
Davidson, Ian
Davies, Bryan *(Oldham C'tral)*
Davies, Rt Hon Denzil *(Llanelli)*
Davis, Terry *(B'ham, H'dge H'l)*
Denham, John
Dewar, Donald
Dixon, Don
Dobson, Frank
Donohoe, Brian H
Dowd, Jim
Dunnachie, Jimmy
Dunwoody, Mrs Gwyneth
Eagle, Ms Angela
Eastham, Ken
Etherington, Bill
Evans, John *(St Helens N)*
Ewing, Mrs Margaret
Fatchett, Derek
Faulds, Andrew
Field, Frank *(Birkenhead)*
Fisher, Mark
Flynn, Paul
Forsythe, Clifford *(S Antrim)*
Foster, Rt Hon Derek
Foster, Don *(Bath)*
Foulkes, George
Fraser, John
Galloway, George
Gapes, Mike
Garrett, John
Gerrard, Neil
Godman, Dr Norman A
Godsiff, Roger
Golding, Mrs Llin
Gordon, Mildred
Graham, Thomas
Grant, Bernie *(Tottenham)*
Griffiths, Nigel *(Edinburgh S)*
Grocott, Bruce
Gunnell, John
Hall, Mike
Harman, Ms Harriet
Harvey, Nick
Hattersley, Rt Hon Roy
Hill, Keith *(Streatham)*
Hinchliffe, David
Hodge, Margaret
Hoey, Kate
Hogg, Norman *(Cumbernauld)*
Home Robertson, John
Hood, Jimmy
Hoon, Geoffrey
Howarth, George *(Knowsley North)*
Howells, Dr. Kim *(Pontypridd)*
Hoyle, Doug
Hughes, Kevin *(Doncaster N)*
Hughes, Robert *(Aberdeen N)*
Hughes, Roy *(Newport E)*
Hughes, Simon *(Southwark)*
Hutton, John
Illsley, Eric
Ingram, Adam
Jackson, Glenda *(H'stead)*
Jackson, Helen *(Shef'ld, H)*
Jamieson, David
Janner, Greville
Jones, Barry *(Alyn and D'side)*
Jones, Ieuan Wyn *(Ynys Môn)*
Jones, Lynne *(B'ham S O)*
Jones, Martyn *(Clwyd, SW)*
Jones, Nigel *(Cheltenham)*
Kaufman, Rt Hon Gerald
Keen, Alan
Kennedy, Jane *(L'pool Br'dg'n)*
Khabra, Piara S
Kilfoyle, Peter
Kirkwood, Archy
Lestor, Joan *(Eccles)*
Lewis, Terry
Liddell, Mrs Helen
Litherland, Robert
Livingstone, Ken
Lloyd, Tony *(Stretford)*
Llwyd, Elfyn
Lynne, Ms Liz
McAllion, John
McAvoy, Thomas
McCartney, Robert
McCrea, The Reverend William
Macdonald, Calum
McFall, John

McKelvey, William
Mackinlay, Andrew
McLeish, Henry
Maclennan, Robert
McMaster, Gordon
McNamara, Kevin
MacShane, Denis
McWilliam, John
Madden, Max
Marek, Dr John
Marshall, David *(Shettleston)*
Marshall, Jim *(Leicester, S)*
Martin, Michael J *(Springburn)*
Martlew, Eric
Maxton, John
Meacher, Michael
Meale, Alan
Michael, Alun
Michie, Bill *(Sheffield Heeley)*
Michie, Mrs Ray *(Argyll & Bute)*
Milburn, Alan
Miller, Andrew
Molyneaux, Rt Hon James
Morgan, Rhodri
Morley, Elliot
Morris, Rt Hon Alfred *(Wy'nshawe)*
Morris, Estelle *(B'ham Yardley)*
Morris, Rt Hon John *(Aberavon)*
Mowlam, Marjorie
Mudie, George
Mullin, Chris
Murphy, Paul
Oakes, Rt Hon Gordon
O'Brien, Mike *(N W'kshire)*
O'Brien, William *(Normanton)*
Olner, Bill
O'Neill, Martin
Orme, Rt Hon Stanley
Paisley, The Reverend Ian
Parry, Robert
Pearson, Ian
Pickthall, Colin
Pike, Peter L
Pope, Greg
Powell, Ray *(Ogmore)*
Prentice, Gordon *(Pendle)*
Prescott, Rt Hon John
Primarolo, Dawn
Purchase, Ken
Quin, Ms Joyce
Radice, Giles
Randall, Stuart
Raynsford, Nick
Reid, Dr John
Robertson, George *(Hamilton)*
Robinson, Geoffrey *(Co'try NW)*
Robinson, Peter *(Belfast E)*
Roche, Mrs Barbara
Rogers, Allan
Rooker, Jeff
Ross, Ernie *(Dundee W)*
Ross, William *(E Londonderry)*
Rowlands, Ted
Ruddock, Joan
Salmond, Alex
Sedgemore, Brian
Sheldon, Rt Hon Robert
Shore, Rt Hon Peter
Short, Clare
Simpson, Alan
Skinner, Dennis
Smith, Andrew *(Oxford E)*
Smith, Llew *(Blaenau Gwent)*
Smyth, The Reverend Martin
Spearing, Nigel
Squire, Rachel *(Dunfermline W)*
Steinberg, Gerry
Stevenson, George
Straw, Jack
Sutcliffe, Gerry
Taylor, Mrs Ann *(Dewsbury)*
Taylor, Rt Hon John D *(Strgfd)*
Taylor, Matthew *(Truro)*
Timms, Stephen
Tipping, Paddy
Touhig, Don
Trimble, David
Turner, Dennis
Tyler, Paul
Walker, Rt Hon Sir Harold
Wallace, James
Walley, Joan
Wardell, Gareth *(Gower)*
Watson, Mike
Wicks, Malcolm
Williams, Rt Hon Alan *(Sw'n W)*
Williams, Alan W *(Carmarthen)*
Wilson, Brian
Winnick, David
Wise, Audrey
Worthington, Tony
Wright, Dr Tony
Young, David *(Bolton SE)*

Tellers for the Ayes:
Mr. John Cummings and Mr. Jon Owen Jones.

NOES

Ainsworth, Peter *(East Surrey)*
Alexander, Richard
Alison, Rt Hon Michael *(Selby)*
Allason, Rupert *(Torbay)*
Amess, David
Ancram, Michael
Arbuthnot, James
Arnold, Jacques *(Gravesham)*
Arnold, Sir Thomas *(Hazel Grv)*
Ashby, David
Atkins, Rt Hon Robert
Atkinson, David *(Bour'mouth E)*
Atkinson, Peter *(Hexham)*
Baker, Rt Hon Kenneth *(Mole V)*
Baker, Nicholas *(North Dorset)*
Baldry, Tony
Banks, Matthew *(Southport)*
Batiste, Spencer
Bellingham, Henry
Bendall, Vivian
Beresford, Sir Paul
Biffen, Rt Hon John
Bonsor, Sir Nicholas
Booth, Hartley
Boswell, Tim
Bottomley, Rt Hon Virginia
Bowis, John
Boyson, Rt Hon Sir Rhodes
Brandreth, Gyles
Brazier, Julian
Bright, Sir Graham
Brooke, Rt Hon Peter
Brown, M *(Brigg & Cl'thorpes)*
Browning, Mrs Angela
Bruce, Ian *(Dorset)*
Burns, Simon
Burt, Alistair
Butler, Peter
Butterfill, John
Carlisle, John *(Luton North)*
Carlisle, Sir Kenneth *(Lincoln)*
Carrington, Matthew
Carttiss, Michael
Cash, William
Channon, Rt Hon Paul
Chapman, Sydney
Churchill, Mr
Clappison, James
Clark, Dr Michael *(Rochford)*
Clifton-Brown, Geoffrey
Coe, Sebastian
Colvin, Michael
Congdon, David
Conway, Derek
Coombs, Anthony *(Wyre For'st)*
Coombs, Simon *(Swindon)*
Cope, Rt Hon Sir John
Cormack, Sir Patrick
Couchman, James
Cran, James
Curry, David *(Skipton & Ripon)*
Davies, Quentin *(Stamford)*
Davis, David *(Boothferry)*
Day, Stephen
Deva, Nirj Joseph
Devlin, Tim
Dicks, Terry
Dorrell, Rt Hon Stephen
Douglas-Hamilton, Lord James
Dover, Den
Duncan, Alan
Duncan-Smith, Iain
Dunn, Bob
Durant, Sir Anthony
Elletson, Harold
Evans, David *(Welwyn Hatfield)*
Evans, Jonathan *(Brecon)*
Evans, Nigel *(Ribble Valley)*
Evans, Roger *(Monmouth)*
Evennett, David
Faber, David
Fabricant, Michael
Fenner, Dame Peggy
Field, Barry *(Isle of Wight)*
Fishburn, Dudley
Forman, Nigel
Forth, Eric
Fowler, Rt Hon Sir Norman
Fox, Dr Liam *(Woodspring)*
Fox, Sir Marcus *(Shipley)*
Freeman, Rt Hon Roger
French, Douglas
Gale, Roger
Gallie, Phil
Gardiner, Sir George
Garnier, Edward
Gill, Christopher
Gillan, Cheryl
Goodson-Wickes, Dr Charles
Gorman, Mrs Teresa
Gorst, Sir John
Grant, Sir A *(SW Cambs)*
Greenway, Harry *(Ealing N)*
Greenway, John *(Ryedale)*
Griffiths, Peter *(Portsmouth, N)*
Hague, William
Hamilton, Rt Hon Sir Archibald
Hamilton, Neil *(Tatton)*
Hampson, Dr Keith
Hanley, Rt Hon Jeremy
Hargreaves, Andrew
Harris, David
Haselhurst, Sir Alan
Hawkins, Nick
Hawksley, Warren
Hayes, Jerry
Heald, Oliver
Heathcoat-Amory, David
Hendry, Charles
Hicks, Robert
Higgins, Rt Hon Sir Terence
Horam, John
Hordern, Rt Hon Sir Peter
Howarth, Alan *(Strat'rd-on-A)*
Howell, Rt Hon David *(G'dford)*
Howell, Sir Ralph *(N Norfolk)*
Hughes, Robert G *(Harrow W)*
Hunt, Rt Hon David *(Wirral W)*
Hunt, Sir John *(Ravensbourne)*
Hunter, Andrew
Jack, Michael
Jackson, Robert *(Wantage)*
Jenkin, Bernard
Jessel, Toby
Johnson Smith, Sir Geoffrey
Jones, Gwilym *(Cardiff N)*
Jones, Robert B *(W Hertfdshr)*
Kellett-Bowman, Dame Elaine
Key, Robert
King, Rt Hon Tom
Kirkhope, Timothy
Knapman, Roger
Knight, Mrs Angela *(Erewash)*
Knight, Greg *(Derby N)*
Knight, Dame Jill *(Bir'm E'st'n)*
Knox, Sir David
Kynoch, George *(Kincardine)*
Lait, Mrs Jacqui
Lawrence, Sir Ivan
Legg, Barry
Leigh, Edward
Lennox-Boyd, Sir Mark
Lester, Jim *(Broxtowe)*
Lidington, David
Lightbown, David
Lilley, Rt Hon Peter
Lloyd, Rt Hon Sir Peter *(Fareham)*
Lord, Michael
Luff, Peter
MacGregor, Rt Hon John
MacKay, Andrew
Maclean, Rt Hon David
McLoughlin, Patrick
McNair-Wilson, Sir Patrick
Madel, Sir David
Maitland, Lady Olga
Malone, Gerald
Mans, Keith
Marland, Paul
Marlow, Tony
Martin, David *(Portsmouth South)*
Mates, Michael
Mayhew, Rt Hon Sir Patrick
Merchant, Piers
Mitchell, Andrew *(Gedling)*
Mitchell, Sir David *(NW Hants)*
Moate, Sir Roger
Montgomery, Sir Fergus
Needham, Rt Hon Richard
Nelson, Anthony
Neubert, Sir Michael
Newton, Rt Hon Tony
Nicholls, Patrick
Nicholson, David *(Taunton)*
Nicholson, Emma *(Devon West)*
Norris, Steve
Onslow, Rt Hon Sir Cranley
Oppenheim, Phillip
Ottaway, Richard
Paice, James
Patnick, Sir Irvine
Pattie, Rt Hon Sir Geoffrey

Pawsey, James
Peacock, Mrs Elizabeth
Pickles, Eric
Porter, Barry *(Wirral S)*
Porter, David *(Waveney)*
Portillo, Rt Hon Michael
Powell, William *(Corby)*
Rathbone, Tim
Redwood, Rt Hon John
Renton, Rt Hon Tim
Richards, Rod
Riddick, Graham
Rifkind, Rt Hon Malcolm
Robathan, Andrew
Roberts, Rt Hon Sir Wyn
Robertson, Raymond *(Ab'd'n S)*
Robinson, Mark *(Somerton)*
Roe, Mrs Marion *(Broxbourne)*
Rowe, Andrew *(Mid Kent)*
Rumbold, Rt Hon Dame Angela
Sackville, Tom
Sainsbury, Rt Hon Sir Timothy
Scott, Rt Hon Sir Nicholas
Shaw, David *(Dover)*
Shaw, Sir Giles *(Pudsey)*
Shephard, Rt Hon Gillian
Shepherd, Colin *(Hereford)*
Shersby, Sir Michael
Sims, Roger
Smith, Tim *(Beaconsfield)*
Soames, Nicholas
Spencer, Sir Derek
Spicer, Sir James *(W Dorset)*
Spicer, Michael *(S Worcs)*
Spink, Dr Robert
Spring, Richard
Sproat, Iain
Stanley, Rt Hon Sir John
Steen, Anthony
Stephen, Michael
Stern, Michael
Stewart, Allan
Streeter, Gary
Sumberg, David
Sweeney, Walter
Sykes, John
Tapsell, Sir Peter
Taylor, Ian *(Esher)*
Taylor, Sir Teddy *(Southend, E)*
Temple-Morris, Peter
Thomason, Roy
Thompson, Sir Donald *(C'er V)*
Thompson, Patrick *(Norwich N)*
Thornton, Sir Malcolm
Thurnham, Peter
Townend, John *(Bridlington)*
Townsend, Cyril D *(Bexl'yh'th)*
Tracey, Richard
Tredinnick, David
Trend, Michael
Trotter, Neville
Twinn, Dr Ian
Vaughan, Sir Gerard
Viggers, Peter
Waldegrave, Rt Hon William
Walden, George
Walker, Bill *(N Tayside)*
Waller, Gary
Wardle, Charles *(Bexhill)*
Waterson, Nigel
Watts, John
Wells, Bowen
Whitney, Ray
Whittingdale, John
Widdecombe, Ann
Wiggin, Sir Jerry
Willetts, David
Wilshire, David
Winterton, Mrs Ann *(Congleton)*
Winterton, Nicholas *(Macc'fld)*
Wolfson, Mark
Yeo, Tim
Young, Rt Hon Sir George

Tellers for the Noes:
Mr. Timothy Wood and
Mr. Michael Bates.

Question accordingly negatived.

New clause 5

EMPLOYMENT PROTECTION FOR TRUSTEES

'In relation to a trustee who is also a member of the scheme, the Trade Union and Labour Relations (Consolidation) Act 1992, and the Employment Protection (Consolidation) Act 1978 shall each have effect as if

(a) the reasons specified in section 157(1) of the 1992 Act include reasons concerned with, or connected with, his duties as a trustee;

(b) the purposes specified in section 146(1) of the 1992 Act included preventing or deterring him from carrying out any duties concerned with, or connected with his appointment as a trustee, or penalising him for carrying out such duties.'.—*[Mr. Ingram.]*

Brought up, and read the First time.

6.45 pm

Mr. Ingram: I beg to move, That the clause be read a Second time.

Madam Speaker: With this, it will be convenient to discuss also the following: New clause 24—*Right not to suffer detriment in employment or be unfairly dismissed—*

'.—(1) Subject to subsection (2), an employee has the right not to be subjected to any detriment by any act, or any deliberate failure to act, by his employer done on the ground that, being a trustee of a trust scheme which relates to his employment, the employee performed (or proposed to perform) any functions as such a trustee.

(2) Subsection (1) does not apply where the detriment in question amounts to dismissal, except where an employee is dismissed in circumstances in which, by virtue of section 142 of the Employment Protection (Consolidation) Act 1978 ("the 1978 Act"), section 54 of that Act does not apply to the dismissal.

(3) Sections 22B and 22C of the 1978 Act (which relate to proceedings brought by an employee on the grounds that he has been subjected to a detriment in contravention of section 22A of that Act) shall have effect as if the reference in section 22B(1) to section 22A included a reference to subsection (1).

(4) In the following provisions of the 1978 Act—

(a) section 129 (remedy for infringement of certain rights),

(b) section 141(2) (employee ordinarily working outside Great Britain), and

(c) section 150 and Schedule 12 (death of employee or employer),

any reference to Part II of that Act includes a reference to subsection (1).

(5) The dismissal of an employee by an employer shall be regarded for the purposes of Part V of the 1978 Act as unfair if the reason (or, if more than one, the principal reason) for it is that, being a trustee of a trust scheme which relates to his employment, the employee performed (or proposed to perform) any functions as such a trustee.

(6) Where the reason or the principal reason for which an employee was selected for dismissal was that he was redundant, but it is shown—

(a) that the circumstances constituting the redundancy applied equally to one or more other employees in the same undertaking who held positions similar to that held by him and who have not been dismissed by the employer, and

(b) that the reason (or, if more than one, the principal reason) for which he was selected for dismissal was that specified in subsection (5),

then, for the purposes of Part V of the 1978 Act, the dismissal shall be regarded as unfair.

(7) Section 54 of the 1978 Act (right of employee not to be unfairly dismissed) applies to a dismissal regarded as unfair by virtue of subsection (5) or (6) regardless of the period for which the employee has been employed and of his age; and accordingly section 64(1) of that Act (which provides a qualifying period and an upper age limit) does not apply to such a dismissal.

(8) Any provision in an agreement (whether a contract of employment or not) shall be void in so far as it purports—

(a) to exclude or limit the operation of any provision of this section, or

(b) to preclude any person from presenting a complaint to an industrial tribunal by virtue of any provision of this section.

(9) Subsection (8) does not apply to an agreement to refrain from presenting or continuing with a complaint where—

(a) a conciliation officer has taken action under section 133(2) or (3) of the 1978 Act (general provisions as to conciliation) or under section 134(1), (2) or (3) (conciliation in case of unfair dismissal) of that Act, or

(b) the conditions regulating compromise agreements under the 1978 Act (as set out in section 140(3) of that Act) are satisfied in relation to the agreement.

(10) In this section, "dismissal" has the same meaning as in Part V of the 1978 Act.

(11) Section 153 of the 1978 Act (general interpretation) has effect for the purposes of this section as it has effect for the purposes of that Act.'.

Amendment No. 109, in clause 120, page 81, line 4, at end insert—

'( ) This section does not apply to sections 42 to 45 and (*Right not to suffer detriment in employment or be unfairly dismissed*).'.

[Madam Speaker]

Amendment No. 110, in schedule 3, page 137, line 17, leave out 'and 43' and insert

' 43 and *(Right not to suffer detriment in employment or be unfairly dismissed)*'.

Amendment No. 111, in page 137, line 18, at end insert—

'. In section 71(2B) (compensation award for failure to comply with section 69 not to be made), at the end there is added "of this Act or section *(Right not to suffer detriment in employment or be unfairly dismissed)* of the Pensions Act 1995."

. In section 72(3) (special award), at the end there is added "of this Act or section *(Right not to suffer detriment in employment or be unfairly dismissed)* of the Pensions Act 1995."

. In section 73(6B) (calculation of basic award), at the end there is added "of this Act or section *(Right not to suffer detriment in employment or be unfairly dismissed)* of the Pensions Act 1995."

. In section 77(1) (interim relief), after "57A (1)(a) and (b)" there is inserted "of this Act or section *(Right not to suffer detriment in employment or be unfairly dismissed)* of the Pensions Act 1995".

. In section 77A(1) (procedure on application for interim relief), after "57A (1)(a) and (b)" there is inserted "of this Act or section *(Right not to suffer detriment in employment or be unfairly dismissed)* of the Pensions Act 1995".'

Amendment No. 112, in page 137, line 22, leave out 'or 43' and insert

' 43 or *(Right not to suffer detriment in employment or be unfairly dismissed)*'.

Amendment No. 113, in page 137, line 25, at end insert—

'. In section 138 (Application of Act to Crown employment), in subsection (1), after "and section 53" there is inserted "of this Act and sections 42 to 45 and *(Right not to suffer detriment in employment or be unfairly dismissed)* of the Pensions Act 1995.".'.

Mr. Ingram: The purpose of the new clause is to protect trustees from unfair dismissal for exercising any of their rights or obligations in respect of the pension funds of which they are members. This matter was extensively dealt with in another place and in our Committee deliberations, and it is right that so much attention and time have been given over to the issue, as it is clearly important.

As the law stands, employees have the right to claim compensation or reinstatement for wrongful dismissal. However, the burden of proof falls on the employee—and anyone so dismissed needs two years of qualifying service before he can take a case against the employer who dismissed him. The new clause makes dismissal automatically unfair in the case of trustees, and requires no qualifying service. In essence, it strengthens the protection afforded under the Employment Protection (Consolidation) Act 1978.

It is worth taking a look at why the new clause is required. One of the key features of the Bill is the enhanced role and responsibility given to trustees, especially to member trustees. As experience has shown, trustees are likely to be the first people to know if there is wrongdoing on the part of an employer in the administration of a pension fund.

Sir Andrew Bowden: As the hon. Gentleman knows, I have added my name to his new clause, because I think it important that the House debate it. He said earlier that the new clause will mean that a company employee who becomes a trustee will be protected from dismissal as a result of his actions as a trustee, even though he has not been with the company for two years. In practice, does the hon. Gentleman agree that it would be extremely rare for someone to join a company and become a trustee in less than two years?

Mr. Ingram: I was going to come to that later. I am grateful for the fact that the hon. Gentleman has added his name to our new clause, and I shall deal with his point in due course.

Trustees can find themselves forcefully arguing against their employers' wishes in relation to a pension scheme, and that may be detrimental to scheme members. It may not be a case of wrongdoing in a pension scheme; it may simply be that the employers or employer trustees are seeking to do something that other trustees believe not to be in the interests of the scheme members. Employee trustees could find themselves arguing against such an action, thereby causing friction in their relationship with their employer.

In that sense, they put themselves in an exposed and vulnerable position. But if they are to do their job properly as trustees, they must be allowed to act in a free and unfettered way and not be under any pressure.

That concept was accepted by the Government. Indeed, the Under-Secretary of State said:

"It is important that member-nominated trustees should be able to feel free to be able to act in the best interests of the members of the scheme."—[*Official Report, Standing Committee d*, 16 May 1995; c. 181.]

That is a position that all of us would endorse. But the Minister needs to do more than utter sweet words of encouragement to member-nominated trustees. If they are to be free from pressure, they must be given the full protection of the law in all the circumstances in which they find themselves.

Member-nominated trustees need not platitudes but protection. The Bill rightly imposes considerable responsibilities on these trustees, and in so doing exposes them to greater potential pressure from unscrupulous, crooked employers such as Robert Maxwell. They are expected to blow the whistle, but they are under no statutory obligation to do so, unlike scheme actuaries and auditors. They cannot plead such an obligation before an industrial tribunal if they are dismissed.

The Government's view is clear. They do not believe that trustees require a special protection in law. Indeed, that view was set out by Lord Mackay in another place when he said:

"employees are already protected against significant victimisation or bullying by employers for whatever reason . . . we do not believe that acting as a pension scheme trustee will put individuals in any more vulnerable a position with regard to victimisation by an employer. After all, employers set up pension schemes voluntarily; so any real employer-trustee conflict should be something of a rarity."—[*Official Report, House of Lords*, 13 March 1995; Vol. 562, c. 625.]

That passage exposes a complete misunderstanding of what can and does take place in the real world of industry and commerce. The Maxwell case highlighted many shortfalls in pension legislation. That is why the Bill was introduced in the first place.

Bullying and the victimisation of employees was referred to during our deliberations yesterday. My hon. Friend the Member for Birkenhead (Mr. Field) gave the example of a member-nominated trustee of the Maxwell pension scheme. There was a member trustee who was arguing against what Maxwell was seeking to do. He

wanted to expose what was happening. Maxwell found it difficult to remove that person as a trustee, so he sacked him. He removed the problem in that way. That may or may not be a rare happening, but it is important that the law did not adequately protect the individual, as the Select Committee on Social Security so graphically highlighted.

By its existence, the Bill accepts that there will be occasional conflict between bad or dishonest employers and employees, and assigns a special role to the member trustees in preventing abuse. Trustees are expected to be the second line of defence for scheme members. The Secretary of State made that clear on Second Reading. However, when trustees act on behalf of scheme members they will be in an extremely vulnerable position without additional employee protection.

The Government argue that few member trustees will have less than the two years of service needed to bring them under the ordinary employment rules. That is the point that the hon. Member for Brighton, Kemptown (Sir. A. Bowden) raised. I accept that that is the position, because most trustees are long-standing employees who are respected by the rest of the work force. That tends to be the position that prevails when it comes to selecting and appointing member trustees.

But in a new company, where a new scheme is being set up, where there has been an upheaval within a company that has led to a complete turnover in posts, or in a small company, there may well be trustees with less than two years of service. Those trustees will need protection. There will be occasions—they may be rare—when the trustees have less than two years of service and so will not be protected by the law if they are victimised or bullied by their employer and subsequently dismissed.

The new clause is designed to protect employer-nominated trustees as well as member nominees. In many instances, senior managers could be appointed as employer-based trustees. Those trustees, as employees of the company, could find themselves in a difficult situation with, for example, the finance director. Acting in their proper function of trustees, they could put themselves in difficulties. It is important that the clause deals not only with employee-nominated trustees but with employer-nominated trustees as well.

I agree that the situations to which I have drawn attention would undoubtedly be rare. It cannot be argued, therefore, that industrial tribunals will be clogged by the cases that stem from them. Many crimes are rare, but that does not make them any the less reprehensible and any less illegal.

I would welcome the support of the hon. Member for Kemptown, who has added his name to the clause. I know that he added his name to new clause 4 and then expressed some reservations. I hope that I have not scared him off on new clause 5, as we possibly did when dealing with new clause 4, and that he will decide that he can support the arguments that I have advanced.

I welcome the anticipated support of the hon. Member for Bristol, North-West (Mr. Stern), who, in tabling comprehensive amendments, is, I guess, seeking the same objectives. I hope that the Minister—perhaps I should refer to him as the Secretary of State. As I understand it, this will be his swan song in his present capacity. I have already commented on his new appointment. Other hon. Members may wish to make their comments during the debate, or perhaps on Third Reading.

I hope that the new Secretary of State for Wales, but the Minister in the context of this debate, will take on board the arguments that will be advanced in favour of the new clause, which I commend to the House.

Mr. Michael Stern (Bristol, North-West): First, I join the hon. Member for East Kilbride (Mr. Ingram) in congratulating my right hon. Friend the Member for Richmond, Yorks (Mr. Hague) on his appointment to the Cabinet. We shall miss him greatly during our debates on these matters, on which he has shown considerable expertise.

I do not intend to detain the House for long. As the hon. Gentleman anticipated, many of the arguments that I would advance in moving new clause 24 and the related amendments would be identical to the arguments that he has rehearsed.

There is a clear need for further legislation. It would be pointless for the House to create a framework of law and regulations to bolster the independence of trustees of pension schemes if there were to remain among those seeking or accepting appointment as trustees the fear that they might be subject to any form of victimisation in carrying on the proper duties of their office.

Both new clauses 24 and 25 are about providing protection to ensure that the fear of victimisation is removed. They are not tabled on the basis that they will be needed to cope with victimisation. In the majority of pension schemes, the relationship between the employer and the trustees will be, as it has always been, a fair and proper one.

The new clauses are designed to do deal with that tiny minority of cases, not where undue pressure is put on, but where the nominated trustee fears that if he acts properly, he may come under such pressure. The House has previously given similar rights to nominated health and safety officers in companies, and I believe that it is entirely proper that we should do the same for nominated trustees.

If my right hon. Friend is moved to accept the proposals in the new clauses—I have some feeling from the Committee debates that he may well be inclined to—it is merely a question of whether he has moved more towards new clause 5 or new clause 24. Clearly, the differences between the new clauses and the related amendments are much more a matter for argument between lawyers than argument across the Floor. I can say only that I hope that my right hon. Friend will decide that my lawyers are bigger and better than his lawyers and recommend the adoption of new clause 24.

7 pm

Mr. Andrew Miller (Ellesmere Port and Neston): I join in the congratulations to the new Secretary of State for Wales. I hope that he quickly learns the words of "Land of my Fathers" better than his predecessor. At last I have told a joke that the Minister has laughed at. In Committee, I missed the punch line of one of the better jokes of my hon. Friend the Member for East Kilbride (Mr. Ingram).

In yesterday's debate, some important points were made about the role of pensioner trustees. One of the most powerful arguments used by several hon. Members was derived from page 261 of Professor Goode's report, where, in respect of pensioner trustees, he states:

[Mr. Andrew Miller]

"In addition, they are thought to be less susceptible to some of the pressures that face active members."

That argument was rejected last night, but the evidence from the Goode inquiry and the arguments of several hon. Members during last night's debate are important in the context of the new clause.

If, as Professor Goode and hon. Members on both sides of the House believe, it is true that pensioner trustees are less susceptible to pressure, clearly the reverse must also be the case: active members are in a position where employers could lean upon them. Indeed, the Confederation of Occupational Pensioner Associations has set that out in a leaflet that it circulated to hon. Members.

It must be a straightforward and clear principle that, when an employee becomes a trustee, he or she has direct responsibility for that trust. That responsibility must at all times be free of any pressure from the employer, for whatever reason. The only way that we can achieve that is to build it formally into statute.

I will not delve into the detail of the lengthy new clause 24, tabled by the hon. Member for Bristol, North-West (Mr. Stern), but say only that the principle that he is seeking to pursue is precisely the same as that sought by my hon. Friend the Member for East Kilbride. I hope that the Government recognise the simple philosophy, which was explored in Committee in slightly different form and reappeared last night in a slightly tangential debate, to which we have returned in black and white terms this evening. The employee must be protected at all times. I urge hon. Members to accept the spirit of the new clause to bring that about.

Mrs. Jane Kennedy (Liverpool, Broadgreen): I add my congratulations to the now right hon. Gentleman, the new Secretary of State for Wales. I wish him success in his new position, and I am sure that his unfailing courtesy will stand him in good stead in the short time that his party will remain in government.

I shall deal with new clause 24, which was tabled by the hon. Member for Bristol, North-West (Mr. Stern) and which is entitled "Right not to suffer detriment in employment or be unfairly dismissed". Clause 16 allows for nomination and selection of trustees by members of the scheme. In Committee, we established that the term "member" could mean active members—in other words, employees—pensioner members or, indeed, deferred members.

The new clause would offer protection to member trustees who are selected from the work force. The trustees selected may come from any level of the work force. It is quite possible that trustees may also be trade union or health and safety representatives. Their work as trustees will without doubt take them away from their workplace. They will need to attend meetings of the board of trustees. Most importantly, they will need to attend training sessions if they are to perform their function properly.

Paragraph 9(ii) of the fourth report of the Social Security Committee states:

"We believe that particular emphasis should be placed upon instructing trustees they are there to act as independent guardians of the trust and not as representatives of the employers, employees or pensioners . . . For their part, employers will have to accept that trustees will require adequate assistance to attend training courses as well as meetings."

While the principle of the important role that trustees have to play has been accepted by the Government, the consequences of the decision to invest new powers and responsibilities in the trustees has still not, in my view, been sufficiently well thought through. That is why I welcome the new clause. It gives us an opportunity to press the Government one more time to take our arguments on board.

Employers will be required to allow for selection of member trustees, some of whom will be their own employees. Many occupational schemes already have such employee trustees, and their experience has been that such trustees perform diligently. Companies that have resisted that, and which are now having it forced upon them, might find ways of placing obstacles in the path of employee trustees performing their proper duties.

A member trustee drawn from the workplace will be called upon to leave the workplace from time to time, and in so doing, interrupt the functioning of the workplace. They may well need to be replaced by another employee to ensure that their function carries on and that work is progressed.

If employees are on performance-related pay, they stand to lose bonus pay unless they are fully compensated. The same applies to shift workers who receive premium rates of pay for unsocial hours of work. Further, the team of workers left behind may be disadvantaged, and may require the employer to take steps to ensure that they do not lose because of the activity of the trustee. Failure to act to address that range of problems would lead to dissatisfaction, which might lead to pressure being brought to bear on the trustee by his or her workmates, let alone an employer minded to undermine the work of the trustee.

Good employers, who have the best interests of pension schemes at heart, will take steps to remedy the problems that I have outlined, but at no little cost to them. Employers who take less care, or who are facing financial difficulties for whatever reason, may not take the steps necessary to address those problems.

The trustees may then find themselves out of pocket or faced with choices over whether, for example, to forgo opportunities for promotion. They may even, on occasion, have to choose between leaving the workplace at an inopportune moment to attend to business relating to the pension scheme and staying in work, thereby failing to fulfil their role as trustees.

If a trustee also has the role as shop steward or health and safety representative, he is protected by statute from discrimination and has the right not to suffer detriment. New clause 5 and the new clause and amendments tabled by the hon. Member for Bristol, North-West correct that failing, and bring trustees under the same statutory protection as other employee representatives.

I look forward to hearing the Government's response but, in view of experience on the Bill, I am not sure that they will have the wisdom and foresight to adopt either of the new clauses or any of the amendments.

Sir Andrew Bowden: I, too, warmly congratulate my right hon. Friend the Minister on his appointment. I believe that the people of Wales will soon realise that they have a very able and dedicated Secretary of State.

New clause 5 is important, because it protects people from a minority of employers who inevitably try to exploit their power. Pressure can be applied to an employee trustee in various ways. It can be done subtly and relate to an employee's promotion prospects or salary increases. The word can be carefully spread, so that, if a trustee does something that displeases key people, there could be repercussions. Those of us who have worked in industry—I admit that it is a long time since I did—will be aware of the problem.

After I completed my national service in the late 1940s, I went to a large company—it is not fair to name it, because I am sure that it is wholly different today—which was running a management trainee scheme. The scheme was due to last for some six or seven years, and was quite an innovation at the time. Even as far back as the 1950s, I was active in politics in my spare time. I wanted to stand as a candidate for the old London county council in the constituency of Deptford and fight the very distinguished man who represented that seat. He was the leader of the council, Sir Joseph Hayward.

As a matter of courtesy, I informed my employers of my intention. I said that I had no prospect of being elected, but that I wanted to gain the experience of contesting a parliamentary-sized seat in the LCC. I explained that it would involve a considerable amount of time in the evenings and at the weekend, but that it would not affect my duties and responsibilities as an employee.

It quickly came home to me, in various relatively subtle ways—and some perhaps not so subtle ways—that, if I wanted to progress in the company, I should not meddle in politics, because business and politics did not mix. I understood that I had to dedicate myself seven days a week, flat out, to the company if I wanted to join the senior ranks. I do not think that that would happen today in a political context, because more companies recognise that it is useful to have among their employees people of all political persuasions who are active outside work.

Pressure can, however, be applied in subtle ways which are extremely difficult to counter. There is therefore a strong case for enshrining in law the maximum protection for employee trustees. Subject to what my right hon. Friend may have to say, I am minded to support the new clause.

Madam Speaker: Who is next? The Minister?

7.15 pm

The Minister for Social Security and Disabled People (Mr. William Hague): I was momentarily surprised by the absence of other hon. Members wishing to speak.

I thank the hon. Member for East Kilbride (Mr. Ingram) and all the other hon. Members and my hon. Friends for their good wishes. If I can enjoy my new appointment—I certainly intend to—as much as I have enjoyed this portfolio and as much as I have enjoyed debating this particular Bill, it will be very rewarding indeed. I have immensely enjoyed the company of all the hon. Members and my hon. Friends with whom I have debated the Bill.

The new clause tabled by the Opposition, and the new clause and the amendments tabled by my hon. Friend the Member for Bristol, North-West (Mr. Stern), all have the same objective, as became clear in the debate. They would protect employee pension scheme trustees against victimisation by their employers. They aim to do that by giving those employees a right to complain to an industrial tribunal if they are dismissed or subjected to any other adverse treatment in connection with their duties as trustees. No qualifying length of service, hours of work or age thresholds would apply.

As the House may be aware—those hon. Members present certainly are, because we have discussed these matters before, and they have been discussed in another place—the Government have resisted the introduction of such protection. Our concern has been to avoid adding unnecessarily to the legislative burdens on business.

We have taken the view that virtually all employee trustees would have the two years' continuous service necessary to entitle them to make an ordinary unfair dismissal complaint. That was the point about which my hon. Friend the Member for Brighton, Kemptown (Sir A. Bowden) asked the hon. Member for East Kilbride earlier in our proceedings.

The two-year qualifying period is a key element of our policy of sensible deregulation of employment protection, and we remain firmly committed to ensuring that a proper balance is struck between employees' rights and employers' costs.

The Government have always accepted that there are specific types of dismissal which are so unacceptable and contrary to public policy that the employees involved should be entitled to make an industrial tribunal complaint without first having to satisfy the usual length of service and other qualifying criteria. That category must be drawn narrowly, or the benefits of protection will be outweighed by the loss of job opportunities that the legislative burden would cause.

Mr. Miller: Does the Minister agree that action short of dismissal should be included in the category of actions that he regards as unacceptable?

Mr. Hague: I must address my remarks to the specific new clause. The hon. Gentleman may take some pleasure in what I am about to say. I have listened to the views expressed in this debate as well as those put forward in another place. In the light of the various arguments, the Government have been persuaded that it is indeed a sphere in which special protection should apply.

Employment legislation already provides special protection for trade union and health and safety representatives. The new clauses and the amendments that we are considering must be seen in the light of that existing legislation. I therefore accept that dismissal on the grounds of carrying out or proposing to carry out functions as an employee trustee should fall into that special narrow category.

Protection against detrimental action short of dismissal goes hand in hand with the special protection against dismissal enjoyed by trade union and health and safety representatives. It is therefore only right that it should do so in this case, too. I believe that that deals adequately with the point raised by the hon. Member for Ellesmere Port and Neston (Mr. Miller). I may be accused of agreeing to this in the spirit of demob abandon, but I am pleased that, as we come to the end of our proceedings, we may be able to achieve some cross-party agreement.

[Mr. Hague]

Of the suggested proposals, I prefer those tabled by my hon. Friend the Member for Bristol, North-West.

Mr. Ingram: I am not surprised.

Mr. Hague: They are drafted in terms that are similar to those of the provisions of the Trade Union Reform and Employment Rights Act 1993, through which the Government introduced the analogous protection for health and safety representatives. They also provide for remedies identical to those that are available to such representatives, which include the possibility of special awards of compensation, and interim relief in dismissal cases.

New clause 5 would not deal with a number of important consequential matters, including remedies, and is, I believe, flawed in its drafting, in that it refers to clause 157(1) of the 1992 Act whereas it should refer to clause 152, just to take up a pedantic point.

Although I support the intention of both new clauses, I intend to support new clause 24, which was tabled by my hon. Friend the Member for Bristol, North-West, and hope that Opposition Members will feel able to withdraw their new clause.

The hon. Member for Liverpool, Broadgreen (Mrs. Kennedy) doubted whether I would have the wisdom and foresight to accept these new clauses and amendments. I hope that she will readily agree that wisdom and foresight are on display in great quantity this evening.

We have consistently made clear our belief that victimisation of employee pension scheme trustees for carrying out their functions as trustees would be totally reprehensible. We are confident that very few employers would ever be tempted to act in such an irresponsible manner, but the amendments will nevertheless ensure that employee trustees can carry out their important duties confident in the knowledge that they have the protection, afforded in these provisions, to deter unwarranted retaliation by their employer.

I am happy to recommend new clause 24 and the associated amendments to the House.

Mr. Ingram: That is most welcome. There has clearly been substantial movement on the part of the Government, obviously because of the weight of arguments that have been advanced by Opposition Members in the House and in Committee, and because of the valuable contribution that was made by the hon. Member for Bristol, North-West (Mr. Stern). I think that I heard him correctly when he said that his lawyers were bigger and better than ours.

Clearly, those people are capable of writing bigger clauses and amendments, and obviously the Minister thinks that they are better, but just let me tell him, however, that one of the lawyers who was involved in drafting new clause 5 was my hon. Friend the Member for Garscadden, and lawyers do not come any bigger or better than him.

I still feel that new clause 5 could be argued as being marginally better, but I have listened carefully to what the Minister has said and take on board some of the points that he made, notwithstanding the typographical error in new clause 5. I am grateful that he has accepted the weight of the argument that has been advanced. I am sure that employee pension scheme trustees, and trustees generally, will warmly welcome the protection that is afforded them. On that basis, I beg to ask leave to withdraw the motion.

Motion and clause, by leave, withdrawn.

New clause 24

RIGHT NOT TO SUFFER DETRIMENT IN EMPLOYMENT OR BE UNFAIRLY DISMISSED

'.—(1) Subject to subsection (2), an employee has the right not to be subjected to any detriment by any act, or any deliberate failure to act, by his employer done on the ground that, being a trustee of a trust scheme which relates to his employment, the employee performed (or proposed to perform) any functions as such a trustee.

(2) Subsection (1) does not apply where the detriment in question amounts to dismissal, except where an employee is dismissed in circumstances in which, by virtue of section 142 of the Employment Protection (Consolidation) Act 1978 ("the 1978 Act"), section 54 of that Act does not apply to the dismissal.

(3) Sections 22B and 22C of the 1978 Act (which relate to proceedings brought by an employee on the grounds that he has been subjected to a detriment in contravention of section 22A of that Act) shall have effect as if the reference in section 22B(1) to section 22A included a reference to subsection (1).

(4) In the following provisions of the 1978 Act—

(a) section 129 (remedy for infringement of certain rights),

(b) section 141(2) (employee ordinarily working outside Great Britain), and

(c) section 150 and Schedule 12 (death of employee or employer),

any reference to Part II of that Act includes a reference to subsection (1).

(5) The dismissal of an employee by an employer shall be regarded for the purposes of Part V of the 1978 Act as unfair if the reason (or, if more than one, the principal reason) for it is that, being a trustee of a trust scheme which relates to his employment, the employee performed (or proposed to perform) any functions as such a trustee.

(6) Where the reason or the principal reason for which an employee was selected for dismissal was that he was redundant, but it is shown—

(a) that the circumstances constituting the redundancy applied equally to one or more other employees in the same undertaking who held positions similar to that held by him and who have not been dismissed by the employer, and

(b) that the reason (or, if more than one, the principal reason) for which he was selected for dismissal was that specified in subsection (5),

then, for the purposes of Part V of the 1978 Act, the dismissal shall be regarded as unfair.

(7) Section 54 of the 1978 Act (right of employee not to be unfairly dismissed) applies to a dismissal regarded as unfair by virtue of subsection (5) or (6) regardless of the period for which the employee has been employed and of his age; and accordingly section 64(1) of that Act (which provides a qualifying period and an upper age limit) does not apply to such a dismissal.

(8) Any provision in an agreement (whether a contract of employment or not) shall be void in so far as it purports—

(a) to exclude or limit the operation of any provision of this section, or

(b) to preclude any person from presenting a complaint to an industrial tribunal by virtue of any provision of this section.

(9) Subsection (8) does not apply to an agreement to refrain from presenting or continuing with a complaint where—

(a) a conciliation officer has taken action under section 133(2) or (3) of the 1978 Act (general provisions as to conciliation) or under section 134(1), (2) or (3) (conciliation in case of unfair dismissal) of that Act, or

(b) the conditions regulating compromise agreements under the 1978 Act (as set out in section 140(3) of that Act) are satisfied in relation to the agreement.

(10) In this section, "dismissal" has the same meaning as in Part V of the 1978 Act.

(11) Section 153 of the 1978 Act (general interpretation) has effect for the purposes of this section as it has effect for the purposes of that Act.'.—*[Mr. Stern.]*

Brought up, read the First and Second time, and added to the Bill.

New clause 16

IMPROVED STATE PENSION RIGHTS WHEN SPOUSE ENTERS RESIDENTIAL CARE

'There shall be inserted after section 48 of the Social Security Contributions and Benefits Act 1992—

"48A.—(1) Where a woman who is married and has attained pension age but is residing apart from his spouse because the spouse is resident in residential accommodation (other than a temporary resident) and in respect of the tax year before he reached pensionable age and any previous tax year, does not, with his own contributions, satisfy the contribution conditions for a Category A retirement pension then, for the purpose of enabling him to satisfy those conditions (but only in respect of any claim for a Category A retirement pension), the contributions of his spouse may be to the prescribed extent be treated as if they were his own contributions.

(2) A person who receives a category A pension under these provisions will no longer be entitled to a category B pension under section 49 of the Social Security and Benefits Act 1992.

(3) In this section 'residential accommodation' means either

(a) accommodation provided under Part III of the National Assistance Act 1948 or

(b) accommodation in a nursing home or residential care home as defined in Regulation 19 of the Income Support (General) Regulations 1987 if such accommodation is not provided under Part III above.

'resident' means a person provided with residential accommodation.

'temporary resident' means a resident whose stay is—

(a) unlikely to exceed 52 weeks, or

(b) in exceptional circumstances, unlikely to substantially exceed this period".'.—*[Sir Andrew Bowden.]*

Brought up, and read the First time.

Sir Andrew Bowden: I beg to move, That the clause be read a Second time.

The object of the new clause is to give the same state pension rights to a woman whose husband enters long-term care as to a woman whose husband has died, or from whom she has divorced. It will give women who have separated from their husbands who then go into permanent—I stress permanent—residential care parallel rights to women who are divorced and widowed.

People who are divorced or widowed can use their former spouse's contribution record up and until the end of the marriage to gain a basic state pension or to increase a partial pension. The new clause would particularly benefit older married women receiving the married women's category B pension of £35.25 per week. When the partner goes into care, a category A state pension of up to a maximum of £58.85 a week will be the substitute for the married women's pension.

The new clause introduces parallel changes to state pensions. It will give a spouse who is separated from his or her partner entering long-term care similar rights to those of people who are divorced or widowed. I shall read to the House a specific case that has been brought to my attention. It is not from one of my constituents, and, of course, I do not intend to give the name, but I can assure colleagues that it is a perfectly genuine case.

In the letter, the lady writes:

"I am 69 years of age. I worked to make ends meet as my husband has not been well. I worked till I was 65 and then had my husband to look after. We manage on our pension, as I have never asked for help in my life and never owed a penny anywhere. The last two years were just awful and the last 12 months my husband has Alzheimer's disease, which is bad enough to watch happening. I had a slight heart attack on 5th March, was taken to hospital and my husband was put into a home. The doctor advised me he must stay there as he won't get any better. I was told to send my pension book in so I could get more money. My pension is £35.60p, but I had the book back saying that that is all I can get. How can I live on that? Now the little I have saved will have to go to keep myself. I don't want any help, but my pension surely should have been £57 old-age pension, but they told me I am classed as single and my husband is still alive. To go in and see him and come out as I do is so upsetting and now the worry of the pension. Life just not seems worth living. Please can you help?"

That represents a very sad situation indeed. I am aware that this matter was discussed in Committee, and, of course, I know the arguments that were used by my hon. Friend the Under-Secretary of State, who said:

"the spouse at home would benefit only if the pension they received was sufficiently substantial to lift them entirely above the level of income-related benefit they received."—[*Official Report, Standing Committee D*, 27 June 1995; c. 890.]

I do not think that that gives the full picture. As I understand it, the full state pension is £58.85. The applicable amount for income support for a single pensioner aged between 60 and 74 is £65.10, so a woman benefiting from my new clause and with no other income would still get income support of £6.25 in addition to her enhanced pension. The applicable amount for a pensioner aged between 75 and 79 is £67.20, and for a pensioner aged 80 or over it is £71.65.

I shall at this point remind the House and emphasise to my hon. Friends on the Government Front Bench that pensioners do not like taking income support; they will avoid it whenever they can. The new clause would help considerably in that regard.

I shall not detain the House any longer. I hope that my hon. Friend will look at the new clause again.

7.30 pm

Mr. Arbuthnot: The new clause attempts to extend the existing substitution rules in a way that I believe would distort the intention behind those rules. The substitution provisions are aimed at cases in which a marriage has ended. The rules recognise that in such cases a woman needs to be compensated for a particular change of circumstances—the unforeseen ending of a marriage in which she had previously relied on her husband's record for an income in retirement.

In such circumstances, substitution gives women a record on which they can build with their own contributions following a divorce. The married woman's 60 per cent. pension could almost be described as a good buy, because it is achieved without the payment of any extra contributions. Ours is the only country in the European Union to provide such a pension. The new clause would give women in that position a 100 per cent. pension, again without any contribution.

[Mr. Arbuthnot]

An amendment similar to the new clause was discussed in another place, and we had a full discussion on the whole residential care issue in Committee. As both my noble Friend Lord Mackay of Ardbrecknish and I said in our separate debates, the Government sympathise with the concerns felt in both Houses about people in such circumstances, and—as I have said many times in Committee—we are a listening Government. Both my right hon. Friend the Secretary of State for Social Security and my right hon. Friend the Secretary of State for Health have taken action: the local authority charging regulations will be amended so that spouses can keep their partners' occupational pension when those partners enter residential accommodation. That will extend to income support preserved rights cases. The change will benefit many people, and I am sure that my hon. Friend the Member for Brighton, Kemptown (Sir A. Bowden) will welcome it as far as it goes.

My hon. Friend, however, has pressed us to go further, and to amend the legislation relating to the basic state pension. I cannot agree that that is necessary. It would not benefit everyone concerned, especially in cases in which the remaining spouse receives an income-related benefit—usually, income support. All income-related benefits must take pensions fully into account, and in such cases spouses at home would benefit only if the amount of pension that they received was large enough to take them entirely above the level of income-related benefit that they received. In the majority of cases it would simply be a bureaucratic accounting exercise, recycling state spending from one benefit to another. An adequate safety net already exists: that is the point that I wish to make in regard to the example given by my hon. Friend.

My hon. Friend suggested—rightly, in my view—that older people preferred to receive contributory benefits rather than means-tested benefits. I understand that preference, but I do not consider it sufficient reason to extend contributory benefit provision to this or any other group. That would impose an automatic and unwarranted extra charge on public expenditure. After all, spouses at home may have considerable resources of their own. I do not believe that automatically granting extra state pension to people in such circumstances would be an appropriate use of public funds.

I hope that, having listened to my argument, my hon. Friend will not feel it necessary to press his new clause.

Question put and negatived.

Clause 1

THE NEW AUTHORITY

Sir Andrew Bowden: I beg to move amendment No. 7, in page 1, line 10, at end insert—

'(1A) It shall be the duty of the Authority, when it is satisfied that there are reasonable grounds for doing so, to cause an investigation to take place into any breach of trust law or any other misconduct alleged to have occurred in relation to an occupational pension scheme.'.

Mr. Deputy Speaker (Sir Geoffrey Lofthouse): With this, it will be convenient to discuss also No. 14, in schedule 1, page 131, line 3, after 'expenses', insert

'provided that, taking one year with another, not less than one quarter of those expenses shall be paid by the Secretary of State.'.

Sir Andrew Bowden: Amendment No. 7 is intended to strengthen the powers of the Occupational Pensions Regulatory Authority. At present, OPRA is seen essentially as a fire fighter; I believe that it needs to become more proactive, and to have powers of fire prevention.

OPRA will replace, and expand on the powers of, the Occupational Pensions Board. It will be an independent statutory body. It currently lacks clear powers, however. The Goode report recommended that the new legal framework should depend for its effectiveness on proper supervisory and enforcement machinery. I therefore suggest that the pensions regulator should have wide-ranging functions and powers. I do not think that the Bill deals adequately with OPRA's powers: there are not enough clear definitions relating to monitoring, registration, investigation and codes of good practice—in short, the role of the regulator himself.

The aim of amendment No. 14 is to make OPRA 25 per cent. state funded. The current intention is to finance the authority through a levy on pension funds, but that may lead to its being far from independent of those whom it is meant to regulate. The House should not forget that more than 10 million employees are active members of occupational schemes. If we take account of beneficiaries and other family members, we see that the majority of the population benefits from such schemes. I believe that an element of state funding, via taxation, is justifiable. Furthermore, OPRA replaces the Occupational Pensions Board, which, as the House knows, was state funded. The amendment strikes a compromise between those who want state funding and those who favour an industrial levy.

Mr. Arbuthnot: The amendments address different subjects. I shall deal with the issues raised by each in turn.

First, on amendment No. 7, the powers of the regulator to conduct investigations and take action are directly linked to a wide range of obligations relating to scheme security, which are clearly specified in the Bill and the Pension Schemes Act 1993. In that way, we have sought to ensure that all responsible for running pension schemes are left in no doubt about the obligations placed on them, and the consequences of failing to comply with those obligations.

If we gave the authority the powers set out in the amendment, we would undermine the very clarity that we seek to achieve. There is a danger that the authority could be drawn into investigating matters that were the responsibility of the other regulatory bodies.

In Committee and in the other place, there has been extensive debate about whether the authority should police trust law. Our reasons for resisting that were set out fully in those debates. We do not believe that it would be right to extend the authority's remit to cover the vast and complex body of trust law or that we should attempt to re-create trust law in the Bill. Disputes relating to the particular characteristics of a scheme, as set out in its trust deed or rules, can be settled by the pensions ombudsman or, if necessary, the courts.

The Bill enshrines the principles underlying the most important duty of trust that apply to all schemes. The security of members' rights will be considerably strengthened by it, and the authority's powers of

investigation and enforcement will provide a robust and effective regulatory regime. I understand, however, that my hon. Friend is concerned about general misconduct on the part of trustees. We have naturally considered those concerns very carefully, and will continue to do so. To some extent, however, those concerns are already covered by the extensive provisions in the Bill; I am referring in particular to sanctions available to the regulatory authority under clauses 3, 4, 10 and 29.

Amendment No. 14 seeks to alter financial arrangements that we have made for the authority. Paragraph 8(1) of schedule 1 gives the Secretary of State power to decide how much to pay the authority in respect of its expenses. Instead of its running costs being recovered in full from the levy on pension schemes, the amendment would require him to raise from taxation a minimum of one quarter of the amount that he determines is appropriate to meet those costs.

The fundamental issue here has been well rehearsed and debated, not only in this House but in another place. Although, this time, a smaller amount is at stake, the principle of who should pay for regulation remains the same. Recovering the costs of the authority through the levy is merely an extension of the principle on which the pensions ombudsman, the pensions registry and the grant to the occupational pensions advisory service are already funded. It is right that the costs of the regulator should be borne by those regulated. Given that we expect the costs to be in the order of £12 million and the assets of pension funds amount to many hundreds of billions of pounds, that does not seem unreasonable. I hope that my hon. Friend will not pursue the amendments.

Amendment negatived.

Clause 5

REMOVAL OF TRUSTEES: NOTICES

Amendments made: No. 27, in page 4, line 13, leave out 'in the United Kingdom'.

No. 28, in page 4, line 22, leave out 'in the United Kingdom'.

No. 29, in page 4, line 30, leave out 'in the United Kingdom'.

No. 30, in page 4, line 31, leave out from first 'given' to end of line 33 and insert

'to any person under this section may be given by delivering it to him or by leaving it at his proper address or by sending it to him by post; and, for the purposes of this subsection and section 7 of the Interpretation Act 1978 in its application to this subsection, the proper address of any person is his latest address known to the Authority.'.—*[Mr. Hague.]*

Clause 10

CIVIL PENALTIES

Amendment made: No. 31, in page 6, line 19, leave out 'require' and insert 'provide for'.—*[Mr. Hague.]*

Clause 11

POWERS TO WIND UP SCHEMES

Amendments made: No. 32, in page 7, line 9, leave out 'subsection (6)' and insert

'the following provisions of this section'.

No. 33, in page 7, line 16, at end insert—

'(1A) The Authority may not make an order under this section on either of the grounds referred to in subsection (1)(a) or (b) unless they are satisfied that the winding up of the scheme—

(a) cannot be achieved otherwise than by means of such an order, or

(b) can only be achieved in accordance with a procedure which—

(i) is liable to be unduly complex or protracted, or

(ii) involves the obtaining of consents which cannot be obtained, or can only be obtained with undue delay or difficulty,

and that it is reasonable in all the circumstances to make the order'.

No. 34, in page 7, line 34, at beginning insert

'except for the purpose of the Authority determining whether or not they are satisfied as mentioned in subsection (1A)'.—*[Mr. Hague.]*

Clause 12

POWERS TO WIND UP PUBLIC SERVICE SCHEMES

Amendment made: No. 35, in page 8, line 3, at end insert—

'( ) Subsection (1A) of section 11 applies for the purposes of this section as it applies for the purposes of that, but as if references to the Authority were to the appropriate authority'.—*[Mr. Hague.]*

Clause 33

INVESTMENT POWERS: DUTY OF CARE

Amendments made: No. 36, in page 20, line 41, leave out from 'the' to 'under' in line 42 and insert 'function has been delegated'.

No. 37, in page 20, leave out line 44.—*[Mr. Hague.]*

Clause 34

POWER OF INVESTMENT AND DELEGATION

Amendments made: No. 38, in page 21, line 13, leave out from beginning to 'except' in line 17 and insert—

'(2) Any discretion of the trustees of a trust scheme to make any decision about investments—

(a) may be delegated by or on behalf of the trustees to a fund manager to whom subsection (3) applies to be exercised in accordance with section 36, but

(b) may not otherwise be delegated'.

No. 39, in page 21, line 28, at end insert

'or the person who made the delegation on their behalf has taken all such steps as are reasonable to satisfy himself'.

No. 40, in page 21, line 29, leave out 'he' and insert 'the fund manager'.

No. 41, in page 21, line 33, leave out subsection (5) and insert—

'(5) Subject to any restriction imposed by a trust scheme—

(a) the trustees may authorise two or more of their number to exercise on their behalf any discretion to make any decision about investments, and

(b) any such discretion may, where giving effect to the decision would not constitute carrying on investment business in the United Kingdom (within the meaning of the Financial Services Act 1986), be delegated by or on behalf of the trustees to a fund manager to whom subsection (3) does not apply to be exercised in accordance with section 36;

but in either case the trustees are liable for any acts or defaults in the exercise of the discretion if they would be so liable if they were the acts or defaults of the trustees as a whole.

( ) Section 33 does not prevent the exclusion or restriction of any liability of the trustees of a trust scheme for the acts or defaults of a fund manager in the exercise of a discretion delegated to him under subsection (5)(b) where the trustees have taken all such steps as are reasonable to satisfy themselves, or the person who made the delegation on their behalf has taken all such steps as are reasonable to satisfy himself—

(a) that the fund manager has the appropriate knowledge and experience for managing the investments of the scheme, and

(b) that he is carrying out his work competently and complying with section 36;

and subsection (2) of section 33 applies for the purposes of this subsection as it applies for the purposes of that section'.—*[Mr. Hague.]*

Clause 35

INVESTMENT PRINCIPLES

Amendment made: No. 42, in page 22, line 19, at end insert—

'( ) Neither the trust scheme nor the statement may impose restrictions (however expressed) on any power to make investments by reference to the consent of the employer'.—*[Mr. Hague.]*

Clause 36

CHOOSING INVESTMENTS

Amendments made: No. 43, in page 22, line 39, leave out

'they have delegated any discretion'

and insert

'any discretion has been delegated'.

No. 44, in page 23, line 15, leave out 'fund manager' and insert

'the fund manager to whom any discretion has been delegated under section 34'.

No. 45, in page 23, line 19, leave out paragraph (a) and insert—

'(a) where giving the advice constitutes carrying on investment business in the United Kingdom (within the meaning of the Financial Services Act 1986), advice—

(i) given by a person authorised under Chapter III of Part I of that Act,

(ii) given by a person exempted under Chapter IV of that Part who, in giving the advice, is acting in the course of the business in respect of which he is exempt,

(iii) given by a person where, by virtue of paragraph 27 of Schedule 1 to that Act, paragraph 15 of that Schedule does not apply to giving the advice, or

(iv) given by a person who, by virtue of regulation 5 of the Banking Coordination (Second Council Directive) Regulations 1992, may give the advice though not authorised as mentioned in sub-paragraph (i) above'.—*[Mr. Hague.]*

Clause 46

PROFESSIONAL ADVISERS

Amendments made: No. 46, in page 28, line 40, after 'by', insert 'or on behalf of'.

No. 47, in page 28, line 42, leave out from 'person' to end of line 2 on page 29 and insert—

'(a) is appointed otherwise than by the trustees or managers as legal adviser or to exercise any prescribed functions in relation to the scheme, or

(b) is appointed otherwise than by or on behalf of the trustees or managers as a fund manager'.

No. 48, in page 29, line 7, leave out from 'actuary' to 'referred' in line 10 and insert

'and legal adviser appointed by the trustees or managers,

( ) any fund manager appointed by or on behalf of the trustees or managers, and

( ) any person appointed by the trustees or managers to exercise any of the functions referred to in subsection (3)(a),

are'.

No. 49, in page 29, line 18, leave out from 'which' to end of line 19 and insert

'professional advisers may be appointed and removed'.

No. 50, in page 29, line 20, leave out from 'which' to '(including' in line 21 and insert

'professional advisers may be appointed'.—*[Mr. Hague.]*

Clause 50

ANNUAL INCREASE IN RATE OF PENSION

Amendments made: No. 51, in page 32, line 37, at beginning insert 'Subject to subsection (3A)'.

No. 52, in page 32, line 45, leave out from 'scheme' to 'and' in line 46.

No. 53, in page 33, line 13, at end insert—

'(2A) Subsection (2) does not apply to a pension under an occupational pension scheme if the rules of the scheme require—

(a) the annual rate of the pension, or

(b) if only part of the pension is attributable to pensionable service or, as the case may be, to payments in respect of employment carried on on or after the appointed day, so much of the annual rate as is attributable to that part,

to be increased at intervals of not more than twelve months by at least the relevant percentage and the scheme complies with any prescribed requirements.

(2B) For the purposes of subsection (2A) the relevant percentage is—

(a) the percentage increase in the retail prices index for the reference period, being a period determined, in relation to each periodic increase, under the rules, or

(b) the percentage for that period which corresponds to 5 per cent per annum,

whichever is the lesser'.

No. 54, in page 33, line 14, leave out 'subsection (2)' and insert 'subsections (2) and (2A)'.

No. 55, in page 33, line 21, at end insert—

'(3A) This section does not apply to any pension or part of a pension which, in the opinion of the trustees or managers, is derived from the payment by any member of the scheme of voluntary contributions'.—*[Mr. Hague.]*

Clause 53

SECTIONS 50 TO 52: SUPPLEMENTARY

Amendment made: No. 56, in page 34, line 47, leave out from beginning to end of line 4 on page 35.—*[Mr. Hague.]*

Clause 58

DETERMINATION OF CONTRIBUTIONS: SUPPLEMENTARY

Amendment made: No. 57, in page 38, line 12, at beginning insert 'Except in prescribed circumstances'.—*[Mr. Hague.]*

Clause 59

SERIOUS UNDERPROVISION

Amendment made: No. 58, in page 39, line 5, at beginning insert 'Except in prescribed circumstances'.—*[Mr. Hague.]*

Clause 63

EQUAL TREATMENT RULE: EXCEPTIONS

Mr. Kirkwood: I beg to move amendment No. 19, in page 41, leave out lines 38 to 47.

Mr. Deputy Speaker: With this, it will be convenient to discuss also amendment No. 20, in page 42, line 2, leave out 'or (3)'.

Mr. Kirkwood: I do not want to detain the House any longer than I can help, but it is worth spending time, even at this late stage in the progress of the Bill through the House, to consider sexual discrimination on actuarial grounds in private and occupational pension schemes.

I am prepared to accept the criticism that this issue relates more to sex discrimination than directly to pensions, but the amendments—which are probing—would make it unlawful for defined benefit occupational pension schemes, defined contribution schemes, occupational pension schemes and personal pension schemes to differentiate actuarially on the ground of sex for the purposes of calculations of both contributions and benefits.

At present, the application of sex-specific actuarial factors is permitted under the current regulations when calculating pensions contributions and benefits. Allowance for that provision is reinforced in the Bill. It is right to raise questions about that because it is possible to argue that we should oppose any sort of discrimination on the ground of sex; that includes discrimination based on an expectation that, on average, women will live longer than men.

Of course, as the House will know, actuarial calculations are based on a range of life style factors, such as smoking, diet, amount of exercise, occupation and social class, in addition to a genetic predisposition that determines that women will, on average, live longer than men. Average life expectancy, however, does not tell one when one will die; all of us know women who have died in their 60s and men who have died in their 90s. I understand that the state pension system does not discriminate on the ground of sex. Other life style factors such as smoking, diet, occupation and income level create much greater actuarial differences than that of gender alone.

7.45 pm

An independent report was drawn up on behalf of the Equal Opportunities Commission in 1989 by the actuarial consultants Tillinghurst. It was called "Unisex Pricing in Long-Term Insurance". Its conclusion was that there would be no great disruption to the life insurance market if unisex pricing were introduced for the determination of payments and benefit.

I want to draw the House's attention to the experience in the United States of America. In 1978 and 1983, the Supreme Court ruled that the use of sex-specific actuarial factors in the calculation of pensions was unlawful under the Civil Rights Act 1964. It is now the case there that pensions contributions are assessed on unisex mortality tables and that sex distinctions have been eliminated from all calculations.

In addition, the European Court of Justice has considered the issue extensively and ruled that the use of sex-specific actuarial factors in defined benefit schemes is outside the scope of article 119 on equal pay. Of course, the Minister will probably be aware that it has yet to make a judgment on differential rates of benefit and contribution for defined contribution schemes, but by removing this clause of the Bill, as the amendments propose, and by amending section 45 of the Sex Discrimination Act 1975, the United Kingdom would be following a similar path to the United States Supreme Court and would be leading the way for the European Union.

As the Minister may know, the Equal Opportunities Commission has been calling for a repeal of the actuarial defence in section 45 of the Sex Discrimination Act, for direct discrimination in insurance and annuities according to sex or gender. It would be simpler, although technically incompetent in terms of the scope of that Act, to repeal the whole of section 45. To remove from women any avoidable structural disadvantage in the provision of annuities is of great importance for social policy precisely because of the combination of women's life expectancy and many other life and career factors that already tend to depress their chances, relative to men's, of accumulating an adequate retirement income. In the amendments that I moved last night, I was seeking to focus the Government's attention on the difficulties that women face in retirement, particularly because of their tendency to work part time and in having their career patterns interrupted.

The Government's decisions in the past few years to encourage people to take financial responsibility for their retirement, by creating readily obtainable personal pensions and allowing for contracted-out money purchase occupational schemes will not benefit women to the same extent as men if they find that they have to pay more into a scheme and receive less back. The actuarial justification that women receive less back in benefits because they live longer can easily be countered with the argument that the needs of women in their old age are greater because they live longer; thus, there is a need for greater assistance and care.

There are also the problems associated with reduced mobility and the possible need for special diets. All those matters give rise to additional expense and must be paid for somehow. I shall conclude my case by quoting two sentences from the European Court of Justice report in the Neath *v.* Steeper judgment. It states:

> "The Commission claims . . . any difference in treatment based on sex would be permissible only if it were objectively justified. Statistical data based on the life expectancy of the two sexes do not, in its view, constitute an objective justification because they reflect averages calculated on the basis of the entire male and female population whereas the right to equal treatment in the matter of pay"—

that was the issue in front of the court—

> "is a right given to employees individually and not because they belong to a particular class."

The Government have a duty to balance discrimination between the sexes for benefits and contributions. This may not be the appropriate legislation or the right time or place, but it is certainly the right issue and something should be done about it quite soon.

Mr. Arbuthnot: I was not expecting a debate on this amendment. This is the second time today that that has happened. The hon. Gentleman relies quite heavily on the European Court of Justice words on the matter in the case of Neath *v.* Steeper. The words that the hon. Gentleman

[Mr. Arbuthnot]

quoted are set out in paragraph 27 of the judgment. However, if he reads the judgment he may find that the court set out that argument in paragraph 27 in order to reject it comprehensively in paragraphs 28 to 34. The hon. Gentleman should not place too much reliance on it.

The amendment would remove a permitted exception to the equal treatment rule that was granted by the ruling of the European Court of Justice in the case of Neath *v.* Steeper. The amendment proposes the removal of a subsection in the Bill that would permit schemes to use sex-based actuarial factors when deciding the necessary funding of the scheme, and also in the application of such factors when calculating certain benefits arising from the scheme.

The use of sex-based actuarial factors in relation to the funding of the scheme simply reflects the fact of life that, on average, women live longer than men, as the hon. Gentleman so rightly said. That matter concerned the Committee, but we felt that we could do little about it. As a result, schemes generally have to pay pensions to women on average for a longer time than for men. That is an inescapable fact of life and it must be accounted for if schemes are to be adequately funded to meet their liabilities.

Clause 63(3)(a) reflects the fact that employers may need to make higher contributions to schemes in respect of female members than for male members. Consequently, where a pension benefit is commuted to a lump sum, the amount paid to a woman is normally greater than that paid to a man because it reflects the greater amount of money in the fund to take account of her longer average life expectancy.

By the same token, the lump sum will, on average, need to last a woman longer than it would a man. Similarly, transfer payments where an individual transfers from one scheme to another are normally higher for women than for men. That again reflects the higher investment made for a woman in the transferring scheme and the fact that the receiving scheme will require a higher transfer payment than for a man if it is to provide for benefits of equivalent value to those that she had in the transferring scheme, as well as providing a periodic pension of equal value to men in the receiving scheme.

I should add that the clause is permissive. There is nothing in European law or in the Bill that requires the use of sex-based actuarial factors; therefore, the clause does not prevent schemes from using unisex actuarial factors based on the average life expectancy of the whole population if they so desire.

Funding a scheme on a national, unisex basis could put a strain on a fund if a scheme had more female members than male members, because there would be a greater call on the fund by the longer-living women. The likely result would be that schemes would err on the side of caution and would fund more closely towards the more expensive female rates. Costs would increase, and pensioners would therefore receive less value from their schemes. Male members of the scheme would be likely to opt out shortly before pension age and purchase an annuity or personal pension on the open market which would not be restricted to unisex rates and might offer them a better pension for their money. Meanwhile, the occupational scheme would be left with a higher proportion of female members, and a higher overall increase in costs which would have to be met by employers and remaining members of the scheme. Actuaries would have to take such matters into account when assessing the proper contributions to such a scheme. Such selection against occupational schemes by their male members could seriously damage the viability of those schemes. For those reasons, I do not support the amendment although I fully understand the hon. Gentleman's reasons for moving it and the concerns that lie behind it.

Mr. Kirkwood: I am content because of the Minister's last sentence. I carefully avoiding saying that the Neath *v.* Steeper judgment was conclusive. I carefully avoided doing that because I have been in courts. The judgment is not the point in any case, because it relates more to pay than to pensions, contributions and benefits. The Minister's technical objections have to be weighed in the balance, but in the fullness of time we shall be pulled in that direction, I suspect through European Court judgments although perhaps not Neath *v.* Steeper. It would be better to consider these matters properly in advance so that the technical matters to which the Minister rightly referred can be redressed before changes are made. They must be properly attended to in good time. I beg to ask leave to withdraw the amendment.

Amendment, by leave, withdrawn.

Clause 72

PREFERENTIAL LIABILITIES ON WINDING UP

Amendments made: No. 59, in page 47, line 24, at end insert

'(but excluding increases to pensions)'.

No. 60, in page 47, line 27, after 'scheme', insert

'(but excluding increases to pensions)'.—*[Mr. Hague.]*

Clause 87

SCHEDULES OF PAYMENTS TO MONEY PURCHASE SCHEMES: SUPPLEMENTARY

Amendment made: No. 61, in page 57, line 3, at beginning insert 'Except in prescribed circumstances'.—*[Mr. Hague.]*

Clause 93

SECTIONS 90 TO 92: SUPPLEMENTARY

Amendment made: No. 102, in page 61, line 4, at end insert—

'( ) references to a charge are to be read as references to a right in security or a diligence and "charged" is to be interpreted accordingly,'.—*[Mr. Hague.]*

Clause 105

DISCLOSURE FOR FACILITATING DISCHARGE OF FUNCTIONS BY THE AUTHORITY

Amendment made: No. 103, in page 73, line 20, at end insert—

'The Lord Advocate.	*Functions under Part I of the Law Reform (Miscellaneous Provisions) (Scotland) Act 1990.'.*

—[Mr. Hague.]

Clause 107

OTHER PERMITTED DISCLOSURES

Mr. Dewar: I beg to move amendment No. 26, in page 75, line 21, at end insert

'or any proceedings for breach of trust in relation to an occupational pension scheme'.

The amendment is of some significance and worth. I am fairly confident about that, but then I normally am when I move an amendment. However, in a sense it is second best and related to the arguments by the hon. Member for Brighton, Kemptown (Sir A. Bowden) who said that the remit of the regulatory body should be extended and that it should be able to deal with breaches of trust law. We canvassed that matter in Committee with the kind of success that the hon. Gentleman had a few minutes ago. As that door is closed, it seems reasonable to make efforts to ensure the speeding up of disputes about trust law.

The clause simply lists and defines the properly limited power of the regulatory authority to make disclosure of information, and that should be extended a little by allowing the release of information that may be relevant to an allegation and proceedings pursuant to it of a breach of trust law. That is the intended effect of the amendment. It does not widen the powers of OPRA but ensures that that regulatory authority is able to help either the pension ombudsman, who has a remit, presumably if the parties believe that the dispute can be decided by a third party, an honest broker, or the courts if, sadly, because that is always an expensive and time-consuming business, the matter has to go to the courts for proof. In either category, it should be possible for the regulatory authority to make the information available, although normally that disclosure would not be possible if it were not specifically endorsed as a proper course of action by the Bill.

I take the view—although I know that the Minister does not—that it would be desirable to give the Occupational Pensions Regulatory Authority such wider powers. I know that he wishes to confine OPRA to a very narrow enforcement role. Having said that and having lost the battle to—I could hardly say the massed ranks of the Conservative party—the small group of hon. Members who made up the Minister's majority in Committee, it seems sensible to bring in this element of flexibility in at least allowing disclosure in the circumstances that I have described. I hope that that is a fair summary of the amendment.

8 pm

Mr. Arbuthnot: My hon. Friend the Member for Brighton, Kemptown (Sir A. Bowden) spoke earlier about his concerns over OPRA having powers to regulate breaches of trust law. The hon. Member for Glasgow, Garscadden (Mr. Dewar) is always persuasive, but on this amendment he has been more persuasive than usual.

In view of the concerns which have been raised and also because of the need to ensure that restricted information in connection with any proceedings for breach of trust could bolster the regulatory regime, we agree that the amendment would add some value to the Bill. Therefore, unusually—I hope not uniquely—I would be delighted to accept the amendment.

Amendment agreed to.

Clause 117

POWERS TO MODIFY THIS PART

Amendment made: No. 62, in page 80, line 6, leave out from 'modify' to 'in' in line 7 and insert

'any provisions of this Part'.—*[Mr. Hague.]*

Clause 120

CROWN APPLICATION

Amendment made: No. 109, in page 81, line 4, at end insert—

'( ) This section does not apply to sections 42 to 45 and (*Right not to suffer detriment in employment or be unfairly dismissed*).'.—*[Mr. Hague.]*

Clause 123

INTERPRETATION OF PART I

Amendment made: No. 63, in page 82, line 7, at end insert—

' "member-nominated director" has the meaning given by section 18(2)'.—*[Mr. Hague.]*

Clause 135

NEW REQUIREMENTS FOR CONTRACTED-OUT SCHEMES, OTHER THAN MONEY PURCHASE SCHEMES

Amendments made: No. 64, in page 92, line 12, after 'which', insert—

'(i)''.

No. 65, in page 92, line 13, after 'scheme' insert 'and

(ii) may include a requirement that, if the only members of the scheme were those falling within any prescribed class or description, the scheme would comply with section 12A'.

No. 66, in page 92, line 20, at end insert—

'( ) In subsection (3) of that section (requirement for protected rights, etc.) after "case" in paragraph (a) there is inserted—

"(aa) the Secretary of State is satisfied that the scheme does not fall within a prescribed class or description" '.

No. 67, in page 92, line 28, at beginning insert

'Subject to regulations made by virtue of section 9(2B)(c)(ii)'.—*[Mr. Hague.]*

Clause 139

REDUCTION IN BENEFITS FOR MEMBERS OF CERTIFIED SCHEMES

Amendment made: No. 68, in page 100, line 43, at end insert

'and section 45A of that Act did not apply (where it would, apart from this subsection, apply)'.—*[Mr. Hague.]*

Clause 171

PARLIAMENTARY CONTROL OF ORDERS AND REGULATIONS

Amendments made: No. 82, in page 128, line 32, leave out 'or'.

No. 83, in page 128, line 33, at end insert—

'( ) section *(hybrid occupational pension schemes)*'.—*[Mr. Hague.]*

Clause 174

EXTENT

Amendment made: No. 84, in page 129, line 5, after '148' insert '165'.—*[Mr. Hague.]*

Clause 176

COMMENCEMENT

Amendment made: No. 85, in page 129, line 23, leave out paragraph (a).—*[Mr. Hague.]*

Schedule 1

OCCUPATIONAL PENSIONS REGULATORY AUTHORITY

Amendments made: No. 104, in page 133, line 35, at beginning insert '(1)'.

No. 105, in page 133, line 37, at end insert—

'(2) Sub-paragraph (1) above does not apply in relation to any document which is or is to be signed in accordance with the law of Scotland.'.—*[Mr. Hague.]*

Schedule 2

THE PENSIONS COMPENSATION BOARD

Amendments made: No. 106, in page 137, line 4, at beginning insert '(1)'.

No. 107, in page 137, line 6, at end insert—

'(2) Sub-paragraph (1) above does not apply in relation to any document which is or is to be signed in accordance with the law of Scotland.'.—*[Mr. Hague.]*

Schedule 3

AMENDMENTS CONSEQUENTIAL ON PART I

Amendments made: No. 110, in page 137, line 17, leave out 'and 43' and insert

' 43 and *(Right not to suffer detriment in employment or be unfairly dismissed)*'.

No. 111, in page 137, line 18, at end insert—

'. In section 71(2B) (compensation award for failure to comply with section 69 not to be made), at the end there is added "of this Act or section *(Right not to suffer detriment in employment or be unfairly dismissed)* of the Pensions Act 1995."

. In section 72(3) (special award), at the end there is added "of this Act or section *(Right not to suffer detriment in employment or be unfairly dismissed)* of the Pensions Act 1995."

. In section 73(6B) (calculation of basic award), at the end there is added "of this Act or section *(Right not to suffer detriment in employment or be unfairly dismissed)* of the Pensions Act 1995."

. In section 77(1) (interim relief), after "57A (1)(a) and (b)" there is inserted "of this Act or section *(Right not to suffer detriment in employment or be unfairly dismissed)* of the Pensions Act 1995".

. In section 77A(1) (procedure on application for interim relief), after "57A (1)(a) and (b)" there is inserted "of this Act or section *(Right not to suffer detriment in employment or be unfairly dismissed)* of the Pensions Act 1995".'

No. 112, in page 137, line 22, leave out 'or 43' and insert

' 43 or *(Right not to suffer detriment in employment or be unfairly dismissed)*'.

No. 113, in page 137, line 25, at end insert—

'. In section 138 (Application of Act to Crown employment), in subsection (1), after "and section 53" there is inserted "of this Act and sections 42 to 45 and *(Right not to suffer detriment in employment or be unfairly dismissed)* of the Pensions Act 1995."'.

No. 108, in page 138, line 13, at end insert—

'The Bankruptcy (Scotland) Act 1985 (c. 66)

. In section 31(1) of the Bankruptcy (Scotland) Act 1985 (vesting in permanent trustee of debtor's estate on sequestration), after "Act" there is inserted "and section 90(3) of the Pensions Act 1995".

. In section 32 of that Act (vesting of estate, and dealings of debtor, after sequestration), after subsection (2) there shall be inserted—

"(2A) The amount allowed for the purposes specified in paragraphs (a) and (b) of subsection (2) above shall not be less than the total amount of any income received by the debtor—

(a) by way of guaranteed minimum pension; and

(b) in respect of his protected rights as a member of a pension scheme,

"guaranteed minimum pension" and "protected rights" having the same meanings as in the Pension Schemes Act 1993."'.—*[Mr. Hague.]*

Schedule 5

AMENDMENTS RELATING TO PART III

Amendments made: No. 86, in page 154, line 32, at end insert—

'The Administration of Justice Act 1970 (c. 31)

. In Schedule 4 to the Administration of Justice Act 1970 (taxes, social insurance contributions, etc subject to special enforcement provisions), in paragraph 3, for "State scheme premiums" there is substituted "Contributions equivalent premiums".

The Attachment of Earnings Act 1971 (c. 31)

. In Schedule 2 to the Attachment of Earnings Act 1971 (taxes, social security contributions etc relevant for purposes of section 3(6)), in paragraph 3, for "State scheme premiums" there is substituted "Contributions equivalent premiums".'.

No. 87, in page 155, line 3, at end insert—

'( ) In section 64(3) of that Act (expenses and receipts), for "state scheme premium" there is substituted "contributions equivalent premium".'.

No. 88, in page 155, line 7, at end insert—

'The Justices of the Peace Act 1979 (c. 55)

. In section 55(6)(b)(ii) of the Justices of the Peace Act 1979 (duties of local authorities), for "state scheme premiums" there is substituted "contributions equivalent premiums".'.

No. 89, in page 155, line 16, at end insert—

'The Companies Act 1985 (c. 6)

. In Schedule 2 to the Companies Act 1985 (interpretation of references to "beneficial interest"), in paragraphs 3(2)(b) and 7(2)(b), for "state scheme premium" there is substituted "contributions equivalent premium".'.

No. 90, in page 155, line 31, at end insert—

'The Social Security Contributions and Benefits Act 1992 (c.4)

. In Schedule 1 to the Social Security Contributions and Benefits Act 1992 (supplementary provisions), in paragraph 8(1)(g), for "state scheme premium" there is substituted "contributions equivalent premium".'.

No. 91, in page 155, line 33, after '10.' insert—

'—( ) The Social Security Administration Act 1992 is amended as follows.

( ) In section 110 (appointment and powers of inspectors)—

(a) in subsections (2)(c)(ii) and (6)(a)(ii), for "state scheme premium" there is substituted "contributions equivalent premium", and

(b) in subsection (7)(e)(i), for "state scheme premiums" there is substituted "contributions equivalent premiums".

( ) In section 120 (proof of previous offences), in subsections (3) and (4), for "state scheme premiums" there is substituted "contributions equivalent premiums".

( )'.

No. 92, in page 155, line 33, leave out

'the Social Security Administration Act 1992'

and insert 'that Act'.

No. 93, in page 164, line 24, at end insert—

'. In section 171 (questions arising in proceedings), in subsection (1)(b), for "state scheme premium" there is substituted "contributions equivalent premium".'.

No. 94, in page 164, line 40, leave out

'the definition of "the Board" is omitted'

and insert '—

(i) the definitions of "accrued rights premium", "the Board", "contracted-out protected rights premium", "limited revaluation premium", "pensioner's rights premium", "personal pension protected rights premium", "state scheme premium" and "transfer premium" are omitted, and

(ii) in the definition of "contributions equivalent premium", for "section 55(6)(e)" there is substituted "section 55(2),'.—*[Mr. Hague.]*

Schedule 7

REPEALS

Amendments made: No. 95, in page 170, leave out line 50.

No. 96, in page 171, leave out lines 10 to 14.

No. 97, in page 173, leave out lines 4 to 6.

No. 98, in page 174, line 32, column 3, leave out 'definition of "the Board"' and insert

'definitions of "accrued rights premium", "the Board", "contracted-out protected rights premium", "limited revaluation premium", "pensioner's rights premium", "personal pension protected rights premium", "state scheme premium" and "transfer premium"'.

No. 99, in page 174, line 54, column 3, after 'Board"' insert 'and'.

No. 100, in page 174, line 56, column 3, leave out 'and' and insert 'in sub-paragraph (2)'.

No. 101, in page 175, line 42, leave out from '1971' to end of line 43 and insert

'shall come into force on the day this Act is passed'.—*[Mr. Hague.]*

Order for Third Reading read.—[Queen's Consent, on behalf of the Crown, signified]

8.4 pm

Mr. Lilley: I beg to move, That the Bill be now read the Third time.

This huge Bill, with 177 clauses, is the biggest of half a dozen Bills which collectively constitute the largest overhaul of social security legislation in 50 years.

The Bill imposed an enormous task on the Committee and I am very grateful to the members of the Committee for the constructive way in which they approached it. I extend that gratitude to the Opposition, as I do to all the organisations which have contributed to the thought behind, and amendment of, the Bill as it has gone through the House. We are grateful to the joint working group on occupational pensions, the Institute and Faculty of Actuaries, the Confederation of British Industry, the Trades Union Congress, the Pensions Management Institute and a great many other organisations and individuals for their advice and representations.

Above all, I should like to express my gratitude to my ministerial team, whose members have so efficiently and effectively, good-humouredly and with such intellectual distinction, carried the Bill in Committee and on Report to Third Reading. This speech gives me an opportunity to offer my congratulations, which I think will be shared by all hon. Members, to my hon. Friend the Member for Richmond, Yorks (Mr. Hague), who is moving from the dales to the valleys.

I got into slight trouble when Neil Kinnock was claiming that he was going to displace my former right hon. Friend the Member for Finchley, now my noble Friend Lady Thatcher, from No. 10. I said that I was pretty sure that the people of Britain would not send a boyo to do a woman's work and I was criticised by someone in Wales who wrote to me saying that I should not use the word "boyo". So, I shall just say how I am certain that the people of Wales will be delightful—sorry, delighted to know—

Mr. Hague: They will be delightful.

Mr. Lilley: Oh, they will be delightful. The people of Wales will be delighted to know that a boy has been sent to do a Vulcan's job.

I should not refer to the age of my hon. Friend the Member for Richmond, Yorks. To me, he is reaching middle age. I was brought up in the village where William Pitt was born and every week I saw the statue commemorating the fact that he was Prime Minister at the age of 24, so I rather think that the new Secretary of State for Wales is a bit past it. He is, of course, admirably placed to launch a leadership bid at a future stage.

I also convey my congratulations to my hon. Friend the Member for Wanstead and Woodford (Mr. Arbuthnot) who—I think that I am allowed to reveal it—has been made the Minister of State for Defence Procurement. He goes there with two enormous advantages: first, he has had experience of spending large sums of money in the DSS, which will come in handy in his new task and, secondly, as a former parliamentary private secretary of mine, he knows that his new post is but a stepping stone to the Cabinet, where all of my PPSs are destined to end up, as the Secretary of State for Education and Employment, with her enhanced authority, can confirm.

This is a big Bill and it is about big money. Pensions are the largest single element of social security spending. Indeed, the basic state pension alone is the biggest item of expenditure in Government. In the private sector, too, they account for an enormous amount of money: £500 billion is invested in occupational schemes and personal pension funds in this country, which, as we know, is more than that invested in all similar private pension schemes in the rest of the European Community put together.

We as Conservatives believe that it gives us a tremendous advantage to have so much private provision complementing state provision, especially as we move into a world in which there are an increasing number of retired people supported by a decreasing number of people of working age. We are therefore determined to build on

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our success in encouraging people to build up occupational and personal pension schemes; that is one of the key things that the Bill is about.

The confidence that lies behind the growth of occupational and personal pensions was dented by the events affecting the Maxwell pension schemes and by the mis-selling of private pensions. The Bill is designed to restore confidence in the security of occupational pension schemes by giving greater rights to members, greater powers to trustees, greater duties to professionals such as actuaries and auditors and authority to a new strong regulator. It sets a minimum funding requirement and backs it up by a compensation scheme should all other measures fail to prevent a deficiency in the funds.

Secondly, we believe that the Bill will encourage choice in personal pensions by giving people greater choice in how they use the funds that they have built up in their personal pension schemes, when they convert them into annuities and draw funds from them before they do so, and by making it possible for people to remain opted out of the state pension scheme throughout their working life by introducing age-related rebates.

The third aspect of the Bill is its emphasis on equality. That is partly in response to the Barber ruling by the European Court of Justice and partly as a result of an autonomous decision, which we still have the power to take in the House, to equalise the state pension age between men and women. We have chosen to do that in a way that, we believe, is responsible and reflects the growing propensity of women to work, especially once their children have left home, and, therefore, to build up their own pension rights. We decided, therefore, to equalise at the age of 65, beginning the change in the second decade of the next century.

That decision is probably the most important spending decision taken this century—if we had decided to equalise at 60 rather than 65, the cost to the taxpayer would have been £12 billion a year once the change had come through—but we have not had a clear-cut response from the Opposition to it. The hon. Member for Glasgow, Garscadden (Mr. Dewar) has talked about introducing a flexible decade with a pivotal age of 63. I am not sure whether that is a firm commitment or one of those ideas that the hon. Gentleman is wont to float in his engaging way.

I point out to the hon. Member for Garscadden merely that the key thing about a flexible decade is the pension that one is entitled to draw at the beginning of the decade. The overwhelming experience everywhere is that people draw their pension at the first opportunity. If both men and women were allowed to draw their pension at the age of 60, we can assume that, just as they do now, the bulk of people would draw their pension at the age of 60 even if it were 20 per cent. lower than the present basic pension. That would be the result of having a pivotal age—that is, the age at which a person would reach the present value uprated for inflation, which is some three years into the flexible decade.

We will allow a much longer period of potential flexibility—an indefinite period of flexibility—from a starting age of 65. At the starting age, people will be able to draw the full basic pension, uprated for inflation. Should they defer for a year, they will get an extra 10 per cent. They will get an extra 20 per cent. for two years, an extra 30 per cent. for three years, and so on. The Opposition's proposal combines the worst of all possible worlds—high up-front costs, which would be higher than equalisation at 63, and the result of many people being much more dependent on income support because they have chosen to draw a low pension at an earlier age.

Other issues, to which I shall now refer, have arisen during the passage of the Bill. One important one is pension on divorce. I am grateful for the amendment introduced by my noble Friend Baroness Young in the other place, which provided the basis of the changes that we introduced. I know that there is a case, strongly argued in some quarters, for going further in the direction of full pension splitting. I believe that it would not have been appropriate to move in that direction in the Bill. The Government will, however, look at that issue in the context of the research that we are undertaking.

The issue of war widows came up and we made an important concession, which was right in this 50th anniversary year of the second world war, but we resisted other changes and I am grateful for the brave and lucid speech given by the hon. Member for Garscadden in that context.

The issue of residential care was raised and we have resolved an important difficulty and a sense of grievance, which were aired as a result of the Bill, by saying that we shall require, as a result of regulation changes, local authorities to ensure that when one spouse is in residential care—usually the husband—and the other remains outside, he or she will be able to retain at least half of the joint occupational pension. Local authorities will no longer be allowed discretion to leave less than half the pension for the spouse who remains outside residential care; that discretion was being used, in a minority of cases, in a way that was simply not acceptable.

I have paid a genuine tribute to the contributions from hon. Members on both sides. It would not be right, however, to let pass the fact that we are dealing here with an absolutely fundamental aspect of modern government and with a central aspect of social security provision—pension provision and provision for retirement. It is the most costly single item in the Government's Budget. It is important that any Government who are serious about controlling public expenditure and about ensuring that public expenditure does not outstrip the nation's ability to pay spell out clearly what they intend to do about it. We as a Government have done so previously and we have done so in the Bill. We still wait to hear any clear response from the Opposition to the challenge so lucidly laid down by my hon. Friend the Member for Richmond, Yorks, now Secretary of State for Wales, in which he asked them to make clear—

Mr. Miller: Right hon. Friend.

Mr. Lilley: No. My hon. Friend has yet to take the oath.

My hon. Friend laid a clear challenge to the Opposition, to which we have heard no response. He asked whether they reaffirmed the pledge to uprate pensions in line with earnings—a pledge on which they have fought the past three general elections—whether they were still pledged to reverse the changes to the state earnings-related pension scheme, which they have criticised in this Bill, whether they were still pledged to reverse the other changes to which they objected and whether they were firmly committed to a process of equalising the state

pension age that would involve a cost several billion pounds higher than the cost in the Bill. In their ability or inability to answer that question lies one of the great tests of whether they are a serious Opposition and a potential Government or whether they are wedded to being in opposition and determined to remain there.

I commend to the House the Bill, with the changes that have been introduced in its passage through both Houses. They enhance it and mean that it will be a major contribution to the provision of pensions into the next decade.

8.19 pm

Mr. Miller: As was said last night, the genesis of the Bill came in the wake of the Maxwell affair. That was followed soon afterwards by Professor Goode's inquiry, which raised many important issues that I am sure that the House will revisit many times.

As the Secretary of State said, the Bill is large, and I congratulate my hon. Friends the Members for Glasgow, Garscadden (Mr. Dewar) and for East Kilbride (Mr. Ingram) on the amazing efforts that they have put in. I acknowledge that the Minister for Social Security and Disabled People—the future right hon. Secretary of State for Wales—was clearly in command of his whole team, but his team was enormous. I have never met so many civil servants as I did during the passage of the Bill. My hon. Friends had little or no such expert support, so their efforts should be commended—along with the efforts of my hon. Friend the Member for Leeds, East (Mr. Mudie), who occasionally let me out of the Committee to do other things.

It is clear from the energy and effort that went into the Opposition's activities that there are certainly people who will soon form a new Government. I take issue with the Secretary of State's closing comments, because it is obvious that the Opposition have taken the Bill extremely seriously, in a most responsible manner.

Many issues arise from the Bill. First there are the functions of the new regulatory authority, which we shall have to re-examine. The composition of that body, especially the absence of a pensioner representative, is a fundamental error. As we heard in our debates last night, the whole House and indeed the whole country are taking pensions matters increasingly seriously, and it would be improper to leave the gap unfilled in the longer term.

Trustees, too, have been debated in the past two days. Both the rights of pensioners as potential trustees and the numbers of member trustees will need revising. I feel strongly that a good pension scheme has nothing to fear from having at least as many member trustees as management appointed trustees. We considered those ideas in Committee and examined several potential permutations, all of which were rejected by the Government. For the sake of basic democracy in pension schemes, we shall have to revisit those issues in the near future.

The Secretary of State mentioned residential care, and we have heard some carefully thought-out contributions to that debate. I am worried about some of the anomalies that still exist. For example, I think of people in the same category as a constituent of mine who, having paid for 40 years into an occupational pension scheme, finds that at the age of 88 she gets no direct benefit from it. The woman in the next room has not paid into an occupational pension scheme—she has probably not had the opportunity—but under the clawback arrangements both women end up with the same personal allowance. That is an anomaly that needs thinking through more carefully.

Because of another personal constituency case, I was pleased that the effect of second marriages on war pensions was dealt with. That removed another anomaly that has deprived one of my constituents of a pension. She was one of the women who escaped during the fall of Singapore, and her pension was taken away in 1957. It will be welcome if her pension is restored after all those years.

The Secretary of State mentioned the importance of occupational pensions. Whatever changes we introduce in this place, occupational pensions will continue to be an important part of personal savings—probably the most important part. In my previous occupation, it took me a long time to persuade many of the people whom I represented that their investment in their occupational pensions was equal to, and in many cases greater than, their investment in their houses. When that argument was won, it woke people up to the idea but they should have some control over the funds invested on their behalf. That is why issues concerning democracy in occupational pension funds are dear to me, and I hope that a future Government will revisit them.

My great regret is that I do not believe that the Bill will stop another potential Maxwell. It puts obstacles in the way of such a person, but I do not believe that it would stop someone determined to bypass fairness and equity and to manipulate people's pension funds improperly.

The Secretary of State mentioned the age of retirement. Many women resent the way in which the Government have dealt with that issue. There is no point in hiding the fact that the problems are complicated, but the Labour party's alternative approach provided a solution that would have been far more beneficial to a significant proportion of the population. I am especially disappointed that the Government failed to pick up those ideas.

Finally, I shall return to an issue at which I have nagged away in other debates, including those in Committee. I was disappointed that the Government did not pick up the spirit of the Occupational Pensions Bill that I presented in 1992.

Mr. Arbuthnot: I have not received it.

Mr. Miller: That is extraordinary. Here we have a Under-Secretary who is so keen on computing and information technology that we hear that he is now to be responsible for procuring weapons for our service personnel, yet he cannot find in his Department a piece of paper that I presume he will have to acknowledge must have been eaten by his predecessor. If the hon. Lady reads some of the Minister's remarks about her in Committee, she will perhaps eat him as well.

It is a great pity that the concept of my Bill—to deal more specifically with what happens to pension funds at the point of takeover of a company—was not addressed within the Bill. I acknowledge that the Government have dealt with some of the points that I raised in other debates, but I find it sad that they have continued to avoid the basic right of occupational pension fund members at the point of takeover. The Government have argued time and again that the assets of pension funds belong to everyone involved, including the employer, and that therefore the

[Mr. Miller]

employer should have some of the benefits in certain circumstances. I have strongly argued that where an incoming employer has taken no risk whatsoever at the point of takeover, he should have none of the benefits accruing from assets in a fund.

We have gone through a lengthy Committee stage, and lengthy remaining stages, of the Bill, and we have sought to address many problems and other issues that I have described. I hope that the Government's confidence is well-founded, but the Bill is deficient in a number of ways. I hope that if, in their short remaining period in office, the Government recognise that we were right and they were wrong—as the Minister graciously did on the question of the rights of trustees during his swansong this evening—they will come back and make amendments to correct any deficiencies.

8.32 pm

Sir Andrew Bowden: I congratulate my right hon. Friend the Secretary of State and his colleagues on the gigantic task that they have now completed. This is an important Bill which has a great deal to commend it, but I fear that time will reveal some weaknesses—for example, in relation to the powers and effectiveness of OPRA. In the sector of trustee representation, I regret that an opportunity to define in law the purpose of pension funds and to establish the principle that pension fund money represents deferred earnings has been missed. I appreciate that the Bill is complex and technical, and that it has placed an enormous burden on Ministers in the Department who have undertaken an incredible amount of detailed work, but I suspect that, in the not too distant future, the House may well have to consider another amending pensions Bill.

8.33 pm

Mr. Clifford Forsythe: I know that Northern Ireland business is coming directly after Third Reading, but I would like to take a little time to say a word about the Bill. First, I congratulate the hon. Member for Richmond, Yorks (Mr. Hague) on his elevation, and also the hon. Member for Wanstead and Woodford (Mr. Arbuthnot) on his promotion. Both promotions are well deserved. It was a pleasure to work in the Committee considering the Bill. It was hard work and exhausting, but it was also pleasant.

I also congratulate the hon. Members for Glasgow, Garscadden (Mr. Dewar) and for East Kilbride (Mr. Ingram) on their tremendous work during the debates on the Bill. It is not often that we mention Whips, but I should like to refer to the hon. Members for Leeds, East (Mr. Mudie) and for Gedling (Mr. Mitchell). I have been fortunate to have two Whips on this Committee, and I feel greatly honoured. I would like to thank both of them, but particularly the hon. Member for Leeds, East for the great help that he has given me.

The House should know that, as a member of the Ulster Unionist party and therefore not subject to the Whips who know what is going on, I had to listen carefully to the points put forward both by Government and by those leading for the Opposition. It has been fascinating, and it is quite obvious that those who took part are well versed in the subject.

I feel this evening that I have come to the end of a very long journey. My experience of this subject began when I heard the news that a certain gentleman had gone overboard and drowned. That prompted my first experience of looking into occupational pensions. Since then, we have come a long way. When I spoke on Second Reading, I made out a list of items that I felt we should try to change. I have to tell the House that, up until a very short time ago, every item on that list had not been changed. I was almost dancing with joy this evening when two amendments that I very much support were accepted by the Government.

I am delighted that the Bill is reaching the end of its passage through the House. I know that most of us are, but for the best reasons. The difficulties for the Committee in looking at the subject were enormous, and I congratulate everyone concerned with the Bill and all of my Committee colleagues on the hard work that they did.

I should like to mention one other item. I am sorry that the Secretary of State for Northern Ireland left the Chamber just before I began my speech. I mentioned earlier that I am very concerned because the Bill does not extend to Northern Ireland. I was shown great courtesy by Ministers and by civil servants—for whom I have the highest regard—when I raised the matter. I must also congratulate the civil servants on their hard work. When such matters are being looked at, the fact that they should extend to Northern Ireland should be taken into account at the beginning. Perhaps if they had, we would not need 167 amendments applying to Northern Ireland. I fully support the Bill and I am delighted that it has managed to complete its passage through the House.

8.38 pm

Mr. Denham: I will not detain the House for long, because I have already tested the credulity and patience of my Front-Bench team by saying that I found the Bill interesting and the Committee enjoyable. I also know that the Minister of State will want to go off to look for a house in the Principality or in a nearby commuter suburb, such as Wokingham. The Under-Secretary will soon find a number of letters on his desk regarding major procurement contracts, so I would not like to alienate him at this stage in our proceedings.

We have been on a long journey, and we have all aged a lot. Cabinet Ministers seem a lot younger to me now than they did when we started our consideration of the Bill. Just like one feels when one gets to the top of a hill while fell walking, when one wants to enjoy the view before one goes down, it is worth taking a quick overview of the Bill. I must say that I am disappointed by it. It was born out of a desire to provide more security for people's pensions and people's retirement.

It is a remarkable achievement of the Bill that the great majority of people will now receive a lower pension as a result than they would have done before its introduction. Every single woman will now have less entitlement to pension rights than she did before the Bill was introduced. Every single member of the state earnings-related pension scheme will now have a lower SERPS entitlement than he or she did when the Bill was introduced.

People with appropriate personal pensions, APPs, which are, as we have said, linked to SERPS, will, through the rebate, be liable to a lower entitlement and will receive lower pensions should the Government

Actuary gets his calculations right. The links between SERPS and occupational pension schemes have been broken. Perhaps the jury is still out on the requisite benefits test, but I suspect that people's pension rights will be worth less than they were before the Bill was introduced.

It would be churlish not to accept that one or two measures such as limited price indexation will provide better pensions for those who do not enjoy that protection in their current occupational schemes. It is a remarkable and rather cynical achievement on the part of the Government to introduce a measure on the back of widespread concern about pension security that diminishes people's pension rights.

The Secretary of State chided the Opposition for failing to provide all the details of their pension strategy. The Government's Bill does not constitute a pension strategy. It is a mistake to believe that simply redrawing the boundaries between what the state scheme does and what non-state schemes do constitutes a new pensions strategy. It may constitute a public expenditure strategy for the future and a strategy for reducing the future tax burden, but it does not constitute a pension strategy.

One question is still unanswered. Will there be sufficient funds available in 2010, 2020, or 2030, whether through a state scheme or through funded non-state schemes, to provide people with the level of pensions that they would expect to accrue during their working lives? There is nothing in the Bill to ensure that those funds are available to pay people's pensions in the future. The past six months have changed nothing.

I believe, perhaps for slightly different reasons from the hon. Member for Brighton, Kemptown (Sir. A Bowden), that, in a short time, under a Labour government, the House will have to reconsider the pensions strategy. That must happen if we are to ensure that people in the 21st century have a pension to retire on that is not only secure—a central aim of the Bill—but of an adequate level to provide them with a decent retirement income.

8.42 pm

Mr. Dewar: Many things happened in the course of the Committee, some of which I sadly missed. One that I particularly regret missing was the sight of the hon. Member for Antrim, South (Mr. Forsythe) dancing with joy. That would have been a rare spectacle. As I said at the end of the Committee, I thought that the staying power of the hon. Member for Antrim, South was admirable. He took punishment with uncomplaining zeal, and lasted the pace. He was an extremely useful colleague in Committee.

My feelings are mixed. The Bill is in many ways a disappointing end product, but I cannot pretend that I am not sorry to see the end of it. I am, to put it bluntly, very pleased to see the end of it. The Secretary of State said that the Bill has 177 clauses. It started out with 162 clauses, so I suppose that that represents productivity in a way. I doubt whether we will get a bonus for our efforts—certainly not from the Secretary of State.

The Bill has been a difficult one to consider because of its complexity, but the business has been conducted with great courtesy, I hope on both sides. I certainly pay tribute to the Ministers who were in charge of the Bill. I wonder whether the Minister of State is aware that there is a rather unfortunate rumour that he was born aged 52½. I am prepared now to put it around that at least the evidence is worth re-examining. I will not put it more enthusiastically than that, but he was genuinely extremely helpful within the limits of propriety. I do not know what that means, but it sounds very pleasant.

The new Minister of State for Defence Procurement must have got some sort of remission, because he was among us at the Department of Social Security for a short time. He passed wraith-like among us and is now disappearing. I must bring him the bad news, as did my hon. Friend the Member for Southampton, Itchen (Mr. Denham): that I, too, have a defence procurement constituency. I look forward to the next round of type 23 orders—

Mr. Denham: I do, too.

Mr. Dewar: Oh dear. Damn. I would be straying just marginally out of order if I prayed the case of Yarrow Shipbuilders, although I feel strongly about it in the context of frigate orders.

Everyone has tried hard on the Bill at least to make sense of it. I agree with other hon. Members that we have been on a long road—at times a stony one. I do not pretend that there were not moments when I began to wonder where we were going. I suppose that that is inevitable.

I am grateful to my colleagues who have stuck to the task remarkably well. The Whips are, of course, a race apart, we all know that. My hon. Friend the Member for Leeds, East (Mr. Mudie) has been a constant aid, and the co-operation from his opposite number would have warmed the heart of those who enthuse over the Jopling Committee report—a small and select band in the House. I believe that such co-operation is important in making the business of the House manageable.

I will not advise my hon. Friends to vote against the Bill—it would be extraordinary if I did so—because it has some good things in it, particularly in the earlier sections, which built upon the Goode committee report. There has been widespread concern about security and the adequacy of the regulatory framework for occupational pensions. Although there are some disappointments, I believe that much of the Bill, taken from the Goode committee and translated into legislation, is helpful and right.

I am sorry that the shift in control represented by the arrival of a legal minimum for a number of active member-selected trustees stuck at one third. As the Minister knows, we tried hard to persuade him that many British companies operate successfully on at least a 50:50 basis. That, too, fell upon stony ground.

The Opposition also had doubts about the regulatory authority, not in terms of the need for such a body, but whether it has all the powers it needs to carry out its enforcement and monitoring jobs, which are essential to it. We also argued hard and lost on pensioner trustees.

The compensation scheme, time off for trustees, training for trustees, indexation, limited price indexing and so on will stand the test of time. I hope that those parts of the Bill will have provided an enduring framework for occupational pension schemes. Whatever may happen in the future, at least that shape will remain. It will be of importance in reassuring the public, and perhaps encouraging an even broader coverage of occupational pension schemes in the future.

[Mr. Dewar]

I also approve of other parts of the Bill. Perhaps it is inevitable, but I thought that the Government were a little over-proud of the important concession to war widows and to that band who unfortunately have seen a second marriage end. I take some satisfaction from the fact that the Labour party in another place voted for that concession, but the Government did not. I will leave that point at that.

It was important that we got the concession on the protection of the rights to a portion of occupational pensions when the holder of that pension has, unfortunately, gone into residential care. That was again the result of fairly sustained pressure in another place. We were preparing to return to that point when, to their credit, the Government capitulated.

There is much unfinished business. I cannot agree that the argument about the future treatment of pension assets upon divorce and the break-up of a marriage has concluded. To be fair, the Minister said that the Government would examine the matter again in the context of further research. However, I feel very strongly about it, as do my hon. Friends and the majority of people in the wider community.

It is not some sort of Opposition delusion on this occasion; I think that it is the unanimous view of those who are involved in the technicalities of the matter that there should at least be an option of dividing funds at the time of divorce and providing security for an ex-spouse. That cannot occur with the form of deferred maintenance that the Minister appears to prefer.

I think that we have said all that we need to say, but I must conclude with one important area of dissent. I refer to part II of the Bill, which deals with the state pension system. We were disappointed that the Government insisted on what we believe is the rather unrealistic concept of a retirement age of 65 when people are expected to shuffle off into retirement. I recognise that the term "flexible decade of retirement" is anathema to the Secretary of State.

It is not such a silly idea when we remember that it was—and still would be if the door had not been slammed—the preferred option of the National Association of Pension Funds and of the Confederation of British Industry. I do not suggest for a moment that that means that it is, by definition, the right solution. However, it is perhaps an antidote to the idea that it is some sort of eccentricity on the part of the Labour party to believe that flexibility should be part of the scheme.

I look forward to seeing the costings and the definition of the Prime Minister's pledge—I referred to it in Committee—which appeared in the *Evening Standard* as one of his trump cards in the leadership election. He promised that there would be a new flexible pension scheme which would allow people to receive their state pension before the normal retirement age in circumstances such as illness or unemployment. I do not know quite what that means, but Prime Ministers do not give those pledges lightly, and we look forward to seeing exactly how it will work and how it will be costed. Perhaps it will give a rather different definition to the whole argument.

Our major concern is that part II of the Bill represents an attack on the state earnings-related pension scheme, which is fundamental in its impact and very serious in social terms. It is a very complex matter, and we spent hours talking about the annualisation of SERPS, for example—an interest that will not be widely shared. However, people may be interested in the end product.

As we all know, the way in which we treat the proportion of earnings below the lower earnings level of the national insurance contributions band and the alterations to how it is treated that have been introduced are "technical"—that is the word used by Ministers—but, to be fair, important in financial terms.

Many people will not have woken up to the fact that the changes will save the Treasury £400 million in 2010 and £2.3 billion by 2050. If one puts that into more practical terms, it means that those people drawing SERPS in 2000 will find that their weekly pension is worth about £2.70 per week less, on average, in current terms. By 2020, it will be £4.90 per week less.

When we examine the basis of entitlement to SERPS and the loading of the contracting-out calculations, it is fair to say that SERPS has again been mugged by the Government. That argument is encapsulated by the Government's calculation that, as a result of the changes, in 2050 the cost of SERPS to the national insurance fund—which would have been £19.3 billion—will be £9.9 billion. That has been done by stealth, and it is a mugging in the small print of the Bill.

I think that it is a serious matter, and one about which we protested in vain. It means that that section of the legislation will have a very uneasy and, I suspect, rather short life. I look forward to returning to the matter, and I recommend that the Secretary of State keep the Committee stage reports by him, as they will prove a useful reference work when he is on this side of the House.

Question put and agreed to.

Bill read the Third time, and passed, with amendments.

Merchant Shipping Bill [Lords]

Order for Second Reading read.

8.54 pm

The Solicitor-General (Sir Derek Spencer): I beg to move, That the Bill be now read a Second time.

The Merchant Shipping Bill, the Shipping and Trading Interests (Protection) Bill and the Goods Vehicles (Licensing of Operators) Bill are consolidation Bills which resulted from the work of the Law Commission and the Scottish Law Commission. The Merchant Shipping Bill is closely linked to the Bill that follows it, and perhaps the House will permit me to speak to them together.

The Merchant Shipping Bill is a major consolidation measure, encompassing some 30 Acts or sections of Acts dating back to the Merchant Shipping Act 1894. The Shipping and Trading Interests (Protection) Bill covers a discrete topic derived from parts of two of them. Both Bills were referred in the usual way to the Joint Committee on Consolidation Bills during their passage through the other place. The Joint Committee reported its approval of the Bills, subject to minor amendments and corrections, and its opinion that the Bills are pure consolidation and represent the existing law.

8.55 pm

Mr. Donald Anderson (Swansea, East): As the Solicitor-General has explained, the three Bills continue the important consolidation work and we have nothing further to add. Much of the undergrowth in the statute book is being taken away by this and by other means, and we can only rise to applaud the work that is being done.

Question put and agreed to.

Bill accordingly read a Second time.

Motion made, and Question put forthwith, pursuant to Order [19 December], That the Bill be not committed.—[*The Solicitor-General.*]

Question agreed to.

Question, That the Bill be read the Third time, *put forthwith and agreed to.*

Bill accordingly read the Third time, and passed, without amendment.

Shipping and Trading Interests (Protection) *[Lords]*

Read a Second time.

Motion made, and Question put forthwith, pursuant to Order [19 December], That the Bill be not committed.—[*The Solicitor-General.*]

Question agreed to.

Question, That the Bill be read the Third time, *put forthwith and agreed to.*

Bill accordingly read the Third time, and passed, without amendment.

Goods Vehicles (Licensing of Operators) Bill *[Lords]*

Read a Second time.

Motion made, and Question put forthwith, pursuant to Order [19 December], That the Bill be not committed.—[*The Solicitor-General.*]

Question agreed to.

Question, That the Bill be read the Third time, *put forthwith and agreed to.*

Bill accordingly read the Third time, and passed, without amendment.

Statute Law Repeals Bill *[Lords]*

Order for Second Reading read.

Ordered,

That the Bill be read a Second time tomorrow.

Mr. Andrew Mackinlay (Thurrock): On a point of order, Mr. Deputy Speaker. I am pleased that the Bill is not being proceeded with tonight, but I wonder whether it is possible to have a very brief explanation why?

Mr. Deputy Speaker (Sir Geoffrey Lofthouse): No. The Bill has not been moved.

Northern Ireland Act 1974

8.58 pm

The Secretary of State for Northern Ireland (Sir Patrick Mayhew): I beg to move,

That the draft Northern Ireland Act 1974 (Interim Period Extension) Order 1995, which was laid before this House on 12th June, be approved.

If schedule 1 of the Northern Ireland Act 1974 were not renewed, direct rule would come to an end, resuscitation being possible only by means of a further Westminster statute. What has to be acknowledged, with regret, in this debate as in its precursor on each of the occasions when I have had responsibility, is that the temporary provisions of the Northern Ireland Act 1974 again need to be renewed. Direct rule from Westminster is still needed and the principal reason is that an insufficiently broad basis of agreement as yet exists for any system of larger local accountability.

It is not for want of encouragement or for want of trying. It is worth taking a little of the House's time to look at what we see as an encouragement and at the efforts that have been made. The obvious starting point is this time last year. In that debate I said:

"I have faith in a better future for Northern Ireland."—[*Official Report*, 30 June 1994; Vol. 245, c. 963.]

I pointed to the Downing street declaration, then some six months old, and said that it represented a new context for political progress. It had contributed to rational grounds for hope that, through consent and democracy, a settlement would be reached.

Looking back to the period from 31 August 1993 to the end of June 1994—that is to say, before the IRA ceasefire—87 people lost their lives in Northern Ireland because of the security situation. In the same period ending a few days ago, the total is only three—one of whom, Constable Seymour, died from head injuries caused by the IRA as long ago as 1973. Every such death is a tragedy, with on-going miseries whenever it occurred, in whatever circumstances. That is in every way true of the deaths of young Karen Reilly and Martin Peak in September 1990, who are in our minds this week.

That ceasefire and the loyalist one which followed it were as welcome as they were overdue. For my part I give great credit to all—and I mean all—who influenced the declaration of the ceasefires. I acknowledge the contribution of all who have been prepared to take risks to bring violence to an end. Most particularly, I identify and pay tribute especially to the security forces, whose staunch courage and professionalism has attracted such admiration. In that context, I should like to congratulate the Royal Ulster Constabulary on the professional manner in which they have responded to the disgraceful disturbances and violence of the past few days in Belfast, Londonderry and elsewhere. These have been orchestrated by those keen to confront and discredit the police and they have been deeply unjust to the people.

The ceasefires and the absence of terrorist attacks have enabled the Government and the security forces to respond to an improved security situation. Much has been done and much more can be done, given the right circumstances. More than 1,000 soldiers have been withdrawn from the Province. Nearly 100 border roads have been opened. Army patrols in support of the police are now the exception. Exclusion orders and broadcasting restrictions have been lifted.

We are also, with the RUC and the Police Authority, looking ahead to the future of policing in Northern Ireland. The RUC is making the transition from a force primarily concerned with countering terrorism to one dealing mainly with the everyday concerns of the ordinary community. Much work is in progress, with the public being consulted as never before.

The Government place an even greater emphasis on community relations work to help heal the divisions between the main sections of the community and to create a more stable and united society for the future. The evidence is that positive changes are taking place in the relationships between the main traditions in Northern Ireland, but real and lasting change takes time.

I can also report briefly and happily on the economy. I shall be brief because many right hon. and hon. Members wish to speak. A strong economy with plenty of jobs is, of course, a great support for stability. There is much good news. Employment in the year to March 1995 rose by 2.1 per cent.—four times the Great Britain rate. At 565,000, it is the highest March figure on record. In the year to May 1995 unemployment fell by more than 10 per cent. It is now 11.7 per cent., which is still much too high, but it is the lowest since September 1981, almost 14 years ago. Particularly welcome is the fall over the last year of almost 5,000 in the number of long-term unemployed. We shall be working hard to bring the figures down still further.

Manufacturing output is growing strongly, with an increase in 1994 of 6.8 per cent. Some of this growth occurred in the period before the ceasefires. In the current year, however, with the prospects of a sustained peace continuing to improve, we hope that we shall do better still. The consensus among local economic commentators is that this year Northern Ireland will be able to build further on recent successes. Local surveys of business opinion suggest continuing high levels of business confidence and strong positive investment intentions.

There has also been good news in the Fair Employment Commission's latest annual monitoring report, summarising the religious composition of the Province's work force, which shows a significant increase of 2.3 percentage points in the Catholic share of the monitored work force between 1990 and 1994.

The Prime Minister's conference in Belfast last December greatly enhanced Northern Ireland's profile as an attractive investment location for companies from the United States, Great Britain, Europe and the far east.

Then in Washington in May there was the US President's White House conference for trade and investment, which was also a resounding success. The conference focused on trade and investment in Northern Ireland and the six border counties of the Republic of Ireland, and attracted an attendance of approximately 1,300 people. Of these, 600 were business people—350 US-based and 250 from Europe, predominantly Northern Ireland and the Republic of Ireland. We are enormously grateful to the President for this initiative, and for the follow-up which his Administration is pursuing.

Turning to political policy, this time last year I reported that we were in discussion with the Irish Government. We had the aim of achieving a shared understanding between

us of the elements of a political settlement which in our view was most likely to command widespread support across the community in Northern Ireland. We did that because we were asked to do so.

After considerable hard work on all sides, and lengthy negotiation, on 22 February my right hon. Friend the Prime Minister launched in Belfast the document, "A Framework for Accountable Government in Northern Ireland" and, together with the Taoiseach, "A New Framework for Agreement". Taken together, the two documents outline what a political settlement in Northern Ireland might look like.

Many things have been said about those documents, but I should like to emphasise once again what they are not. First, the documents are not a blueprint; the ideas are not set in concrete and the proposals will not be imposed without the consent both of the Northern Ireland parties and of the Northern Ireland people. They do not affect Northern Ireland's constitutional guarantee; they do not contain any proposals for joint authority and there is no slippery slope to a united Ireland. They are ideas for discussion and negotiation. They represent the best ideas of the two Governments.

The House is familiar enough by now with the documents' character and contents. Both Governments believe that they have fulfilled a useful purpose, but as Mr. Bruton said at their launch in Belfast,

"If people have better ideas—and we hope you have—let us hear them".

Meanwhile we both stand by them and we believe that they have already encouraged much fresh thinking by the parties about the issues central to a settlement. Progress towards a settlement will come only by talking.

Shortly before Easter I invited the leaders of the Ulster Unionist party, the Social Democratic and Labour party, the Ulster Democratic Unionist party and the Alliance party to a series of separate bilateral meetings to discuss the issues on which agreement must be reached if there is to be a widely acceptable settlement. To date, I have had very useful and productive discussions with the UUP and the Alliance party, and we hope and plan to hold more. I very much hope that the other two Northern Ireland parties which I have invited will take part in the discussions .

The context for negotiation has been transformed by the two terrorist ceasefires, and I know from talking to people in Northern Ireland that everyone wants peace. They see that the way forward can be found only through talking, by discussion and by negotiation.

With Sinn Fein, the Popular Unionist party and the Ulster Democratic party, the Government have sought to consolidate the situation created by the two ceasefires of 31 August and 13 October 1994 by entering into exploratory dialogue with them. The dialogues began on 9 and 15 December respectively. The objective was and remains to exchange views on how those parties would be able, over a period, to play the same part as the main constitutional parties in the public life of Northern Ireland, and to examine the practical consequences of the ending of violence.

There have now been 12 meetings of exploratory dialogue with the loyalist parties, covering a range of subjects including prisons, political development, decommissioning of arms, policing-criminal justice issues and the economic-social problems of disadvantaged areas. Given the progress made in the earlier exchanges with officials, it was decided that my hon. Friend the Minister of State, the hon. Member for Devizes (Mr. Ancram), would join the dialogue at the eighth meeting on 22 March. As for exploratory dialogue with Sinn Fein, there have now been seven meetings, two of which have been attended by my hon. Friend. Discussions have taken place on a broad agenda, including the decommissioning of illegal arms.

Progress on the decommissioning of illegally held arms is needed to help to demonstrate the parties' commitment to exclusively peaceful methods. Serious and constructive discussion of this issue has taken place with the PUP and the UDP. The Government have made clear their belief that substantial progress on decommissioning will be necessary before any party that is closely associated with paramilitaries can expect to participate in inclusive talks.

More than nine months have now elapsed since the IRA ceasefire and eight months since its loyalist counterpart.

Mr. David Trimble (Upper Bann): The Secretary of State has been talking about the exploratory talks between a Minister, officials and paramilitaries and the possibility of moving to what he calls inclusive talks. Given the disturbances that have occurred in Northern Ireland over the past 48 hours and given the clear involvement in fermenting those disturbances of Sinn Fein, can that party still be regarded as having any commitment to peaceful methods? Is it still appropriate for officials or Ministers to continue talking to Sinn Fein when Sinn Fein is clearly involved in violence?

Sir Patrick Mayhew: As I have already said, the disturbances to which the hon. Gentleman refers were clearly orchestrated. That has been made clear by the assistant chief constable, Mr. Stewart, in a public statement a day or so ago. In that statement he said that local members of Sinn Fein were present and prominent, I think, on a number of occasions. We want to see a good deal more of what has happened and why it happened. I am reluctant to break off conversations with any party for the reasons that I have given this evening. Any participation by the central direction of a political party in such events certainly precludes that party from claiming that it is wholly committed to a peaceful means of dealing with political disputes. There can be no question about that.

Yet the guns and explosives have not yet been decommissioned even though more than nine months have elapsed since the IRA ceasefire and eight months since its loyalist counterpart. The latent threat of violence accordingly remains. Decommissioning is not an arbitrary new hurdle created by the Government to block progress with Sinn Fein and the loyalists. Nor is it tantamount to surrender by the paramilitaries. Nor do we have pre-conceived notions about how decommissioning takes place, provided that it happens and is verifiable.

We are in no doubt that decommissioning is a difficult issue. Equally we are in no doubt that it needs to be resolved if we are to move forward. The phrase which I think expresses best the new opportunities which decommissioning could bring about is "parallel progress". I shall explain what I mean by that. The ending of paramilitary violence has created an environment allowing commanders on the ground to make operational

[Sir Patrick Mayhew]

decisions about the level of military deployment. In all these matters I have been guided by the professional advice of the chief constable, Sir Hugh Annesley.

Equally, however, nothing by way of troop reductions, for example, has occurred which cannot be taken further. Parallel progress in that direction and in other areas can and will be occasioned by events which establish that risk to the public has been further reduced. If I may distort Newton's third law of motion, every action has an equal and parallel reaction.

We have within view talks in which all sides can take part, provided they are wholly committed to democratic methods. My right hon. Friend the Prime Minister remains fully committed to the peace process and is determined that it shall properly be seen through to a successful conclusion. But peace can only be built on trust, and trust can never sit alongside the loaded gun pointed at its head.

Dr. Norman A. Godman (Greenock and Port Glasgow) *rose—*

Sir Patrick Mayhew: I will finish now, if I may.

I conclude by saying to the House that the Government will continue to do all in their power to build on the advances of the past two years. Meanwhile, the Government will also continue, through direct rule, to work for a just, peaceful and prosperous society in which both sides of the community can by consent come to exercise greater control over their affairs. I commend the order to the House.

9.16 pm

Ms Marjorie Mowlam (Redcar): I apologise to the Secretary of State for missing his opening couple of sentences. I welcome him and his team in its entirety, back after the events of the past 48 hours. I hope that now that we have some political stability at Westminster, we can move things forward.

In the past six months I have met a number of local councillors, business leaders, trade unionists and community and voluntary groups across Northern Ireland to discuss how economic policy can be made more responsive to local need. The ideas and enthusiasm generated in the present window of opportunity, with US and European assistance, are very impressive.

However, the common concern of all parties is their lack of ability to influence decision making. For example, was anybody listening to the people of Limavady, Strabane and Derry who wanted urgent improvements to the A5, especially to the bottlenecks at Toome and Dungiven; or to the thousands of people who raised money for a scanner for South Tyrone hospital, who want to use that scanner in their own hospital; or to folk in Moyle who want to have the planning powers to accommodate both the wishes of local farmers and the environmental needs of an area of outstanding natural beauty?

Everyone would be happier if such decisions were taken closer to the people whose lives are affected through devolved government. Short of improving the transparency and accountability of the 96 quangos in Northern Ireland, meaningful change can come about only in the context of an agreed and balanced constitutional settlement and new political structures such as those outlined—

Mr. Clifford Forsythe (Antrim, South): Surely there are more than 96 quangos in Northern Ireland?

Ms Mowlam: Yes, there are certainly more than 96 quangos. I was dealing with those directly related to local authority matters such as health and education and which, if local democracy were working, would be affected by local accountability.

Whether we are dealing with those 96 or others, there can be meaningful change and genuine accountability only if there is a change towards a balanced constitutional settlement and new political structures are put in place, such as those suggested in the framework documents, whether within Northern Ireland, between the North and the South, or between Westminster and Dublin.

We regret that we are having this debate again this year. We hope that the momentum in the peace process will be maintained and that significant progress can be made so that it will not be necessary—or there will be new legislation—next year.

The Secretary of State outlined a number of the changes that have occurred in the past 10 months and the considerable progress made towards peace and reconciliation since the ceasefires last autumn. He is right. It is sad and instructive to mark the changes that have been achieved by comparing this July with the same month in previous years.

This July will, we hope, be a quiet one. Last July, seven people were killed; in 1993, one person—Kevin Pullin—was killed by a sniper; in 1992, five people were killed; in 1991, three were killed; and, as many hon. Members will remember, nine people died in July 1990, including Ian Gow, a former Member of the House. Our horror at this history of violence and killing must not prevent any of us from exercising imagination and thinking clearly about the future.

This debate concerns the Secretary of State's stewardship in Northern Ireland. It is difficult to evaluate as the debate is always held at the end of the year and there are few yardsticks to go by. As the next year is crucial, I think that it would help the debate if we put down some markers that are important for us to consider in the progress that we hope will be made in the year ahead.

As the Secretary of State said, the momentum of political progress must be maintained. The issue of decommissioning has to be tackled in such a manner that it is not a surrender but a clear statement that progress is made in the process of decommissioning paramilitary arms. Consideration should be given by the new—or newish—joint committee to the suggestion made by the hon. Member for Fermanagh and South Tyrone (Mr. Maginnis) that a third party should oversee and verify the decommissioning process.

In the coming year, we want to see progress made on anti-terrorist legislation. This year, the Prevention of Terrorism Act and the Northern Ireland (Emergency Provisions) Act were again renewed in full without an independent review for which we and many others called. We hope that Ministers will respond with careful planning and preparation for new UK-wide legislation, which is

essential if we are to be properly equipped to respond to the changing circumstances in Northern Ireland and to combat the changing nature of terrorism world wide.

There are other difficult and delicate matters that must be on the political agenda for discussion, including the question of prisoners and parity of esteem. We want prison policy—including, as we have said, the transfer of prisoners closer to their families—to be considered. Each case must be dealt with on its own merits within the rule of law. There can be no bargaining or equating the cases of different prisoners. The law must be fair to all people and implemented equally. At the very least, those cases which should be considered now are those subject to persistent dispute.

I deal again with more mundane political matters. We should like a halt to the accelerating process of compulsory competitive tendering and privatisation of public services in Northern Ireland so that, when the new settlement is agreed and, we hope, a new Assembly established, there are at least some services left for people to manage.

The disaster of water privatisation should not be inflicted on the people of Northern Ireland. In a recent survey, 90 per cent. of respondents said that they were opposed to it. The Government should rule it out completely in the next year.

Sir Patrick Mayhew: We have.

Ms Mowlam: The Government have already done so in respect of legislation for the first term, if I can earwig on the Secretary of State's whisper, but that commitment has not been given for the duration of this Parliament. We should welcome such a commitment this evening.

We want a change of direction and a new economic strategy that includes measures more specific than those presently on offer to help small businesses; we want a unified framework for skills and training, incentives for businesses to take on the long-term unemployed—I know that there is a pilot project at the moment but projects need to be directed more specifically at the one in five people who are still long-term unemployed—and other more innovative approaches such as the improvement of nursery care.

We want significant progress in reducing the appalling level of unemployment, which is still officially around 12 per cent. I acknowledge the progress that the Secretary of State outlined, but a fifth of the unemployed in Northern Ireland have been unemployed for five years or more. Action has to be taken to bring them back into training and employment because the effects of such high unemployment are economically disastrous and socially damaging.

We should also like action to target social need and to tackle the relative deprivation of specific areas and pockets within parts of Northern Ireland. Measures to deal with unemployment must be accompanied by enforced employment legislation.

The people of Northern Ireland cannot be dictated to and will reject any attempts to impose a settlement, and rightly so. Agreement is the only basis on which the people of both communities can proceed towards a new settlement for Northern Ireland.

Like the Downing street declaration, the joint framework document maintains that it is for the people of Ireland alone, by agreement between the two parts respectively, to exercise their right to self-determination on the basis of consent, freely and concurrently given, north and south.

I have tried to be brief and shall not make a closing speech tonight, as I know that many hon. Members representing Northern Ireland want to speak. I pay tribute to the security forces, the police and the many public servants who during the past year are adapting well to the changing circumstances. I thank them. I would also ask them to continue to show that commitment and determination to change in the year ahead—a time when flexibility and lateral thinking will be crucial for everybody involved.

The months ahead present many difficult and delicate decisions. We have seen an example of that over the past couple of days in the case of Private Clegg—a decision that I welcome because he should not stay in prison a day longer than is necessary. It is also important, however, that decisions taken clearly show the impartiality and the rule of law and that they are based on the rule of law on a case-by-case basis.

What is needed now is a policy of restraint by all parties, not only to keep the peace process moving forward but to help economic progress too, and to build on the two ceasefires from last autumn.

I hope that, as the peace process evolves, more progress can be made in improving the day-to-day quality of people's lives by continuing to remove some of the security apparatus, to which the Secretary of State referred tonight, such as the watchtower on the Rosemount estate in Derry. There must be an attempt to draw a line over the past and to move forward to achieve stability and to make sensible and rational decisions.

Mr. William Ross (Londonderry, East): Does the hon. Lady agree that the watchtowers have improved the quality of life for many people, because by keeping a watch on terrorists they have kept people alive? Therefore, why should they be removed?

Ms Mowlam: I agree that when there was violence on the streets the quality of people's lives was improved considerably by the watchtowers, because, as the hon. Gentleman pointed out, people remained alive. We have had ceasefires since the autumn of last year. I did not put a time scale on it, but asked whether in the year ahead the Secretary of State could bear them in mind for the simple reason that, if the peace holds and there is no violence on the streets, the watchtowers make a difference to the quality of life. Both the hon. Gentleman and I do not live within 20 yds of one, and we do not have to live with them watching us in our kitchens day-by-day. Our quality of life may be okay, but for the people who live close to them it is not.

I am not asking for a blanket removal of the watchtowers or for a time scale to be attached. All I am saying is that the quality of those people's lives should be taken into account, because they are being affected. We would be negating the impact on their lives if we denied that this evening.

Rev. Ian Paisley (Antrim, North): Further to that point, is the hon. Lady aware of what is happening in Northern Ireland at the present time? Is she aware that almost £6 million-worth of damage has been done in the city of Belfast and elsewhere? Is she aware that last night a property worth almost £1 million was gutted by fire, by

[Rev. Ian Paisley]

IRA attackers? Is she in reality when she talks about the peace that is going on? The peace is not going on. How can she say that there is a perceived peace when violent people are on the streets? I am sure that she listened on Tuesday to what the Prime Minister said when he underscored the fact that the IRA and Sinn Fein were at the heart of this. The Prime Minister himself said that in the House.

Ms Mowlam: I listened, not only to what the Prime Minister said, but to the comments that the Secretary of State made about the present situation and the assumptions that he is working on. I am well aware of what is happening on the ground; I have spent the past two days in Belfast and Newry, so I have direct day-to-day experience of what is happening. I know only too well of the impact on the communities and the effect of the economic policies, which all of us have been trying to encourage to get a quality of life and jobs for people that would make a difference to their lives. The bread van that was burnt out in west Belfast was new and belonged to an expanding small business. That business had just begun to turn the corner from the difficulty, which small businesses have, of growing from two to three people. The effort was being made. We are only too well aware of the disastrous impact that the events of the past couple of days have had on many people, but the situation has calmed down, and perhaps, if we can keep things moving, progress can be made. As I said to the hon. Member for Londonderry, East (Mr. Ross), we are not asking for that progress immediately; I am merely saying that I want certain issues to be on the agenda, so that when we are having the same debate here in a year's time we can look back to the markers that I have put down tonight.

Mr. Seamus Mallon (Newry and Armagh): We can all talk about watchtowers, releases from prison and all sorts of issues. As the hon. Lady is putting down markers for the coming year and, as it were, wrapping up the previous year, will she tell us—in political terms—the one thing that she would have done differently from the Government in that year?

Ms Mowlam: I cannot thank the hon. Gentleman for his intervention, for the simple reason that I have made it clear on numerous occasions that I will not draw a clear distinction between us and the Government in relation to the peace process and the negotiations that he, and we, are conducting with all parties. On other occasions, I have made clear distinctions between the parties in regard to policies relating to, for instance, the economy.

I am avoiding the question because if I said, "If I had acted differently from the Secretary of State, this would have been the outcome", it might please the hon. Gentleman who asked the question but it would not please others. I would merely be opening the door for others to say, "So you think that the Opposition would do better. Let us wait for instability in the Government to start again in four months' time. Let us wait for a general election; then we will do better."

In view of the disturbances of the past 48 hours, the worst thing that could happen to the peace process now would be prevarication and procrastination by any hon. Members present, or any of the parties not represented here tonight, because they believed that delay would secure them a better deal. I will not answer the question for that reason, and I have no difficulty in saying so to the hon. Member for Newry and Armagh (Mr. Mallon).

As I have said, my hon. Friends the Members for Clydebank and Milngavie (Mr. Worthington) and for Warley, West (Mr. Spellar) and I will continue to approach the current peace process in a bipartisan manner. We shall continue to play our part; but we, and every other hon. Member, can do so only with the support and encouragement of people in Northern Ireland.

9.32 pm

Mr. James Molyneaux (Lagan Valley): As you have been kind enough to call me early in the debate, Madam Deputy Speaker, let me take the opportunity to congratulate and welcome the hon. Member for North Down (Mr. McCartney). My hon. Friends and I look forward to his contribution if he catches your eye, as I trust that he will.

On 30 June last year, in another debate on the extension of the Northern Ireland Act 1974, the Secretary of State told us:

"we are currently working . . . on a framework document."

He added:

"let me address fears about what is spoken of as 'joint authority'".

It was feared, he said, that the two Governments

"would jointly run the affairs of Northern Ireland over the heads of the people."

He concluded:

"There is no truth in that at all."—[*Official Report*, 30 June 1994; Vol. 245, c. 960.]

I did not and do not wish to imply that the Secretary of State was less than honest, but after 25 years in this place I do not underestimate the duplicity of those in certain Departments whose mission in life is to find a form of words. That blessed phrase "find a form of words" has plagued us at every meeting that we have had to discuss the way forward in Northern Ireland. I sometimes wonder whether those people are descended from ancestors in "Alice in Wonderland".

It was with such unworthy suspicions in my mind that, several minutes later in that debate—not several months later—I delivered the Ulster Unionist answer to those words of the Secretary of State. I said:

"We would add merely that that joint authority, however it is disguised, amounts to a change in the constitutional status of Northern Ireland."—[*Official Report*, 30 June 1994; Vol. 245, c. 972.]

That remains the position of my party. We have not changed and we shall not change.

It was for that reason, therefore, that, in the succeeding months of last year, we warned the Government that the required support, to use their words, of the Unionist community for a framework document would not be forthcoming. Now the Government must think again. Now that all the high wire acts of two decades have failed, they could, with great advantage, go back to basics, to coin a phrase.

In December 1976, in the week-long debate on the constitution of the United Kingdom and on what was known roughly as the Kilbrandon report, I suggested, as a first step, the decentralisation of powers away from the gentlemen in Whitehall who are reputed "to always know best". I think that I am on all fours with the hon. Member for Redcar (Ms Mowlam), who was good in the first part

of her reference on restoring accountable democracy to Northern Ireland. She rather spoilt it by getting into the "nothing agreed until everything is agreed" package, but I forgive her that. I think that we will convert her eventually.

That plea of mine way back in 1976 led to the formulation of section 22 of the 1979 manifesto, on which the Thatcher Government were elected. I shall quote from that manifesto—I am a student of these things. It says:

"We will seek to establish one or more elected regional councils with a wide range of powers over local services."

As I played some little part in tendering advice from time to time during the drafting proceedings before the manifesto was put to the shadow Cabinet in 1978, I know exactly what was in the mind of the then Leader of the Opposition, soon to become Prime Minister. For elected regional councils, one would read an elected assembly—that is what it was all about—and the wide range of powers over local services did not mean just powers to local government; it meant clearly—and I know this for a fact and one of the draftswomen is still fortunately alive and can confirm this—administrative powers to administer the law as made by this sovereign Parliament of the UK. It meant delivering a service, the sort of service that all of us in this Chamber deliver. When we open that untidy bundle of mail every morning, we discover that 95 per cent. of our constituents' problems can be redressed by administrative and not legislative action, so it was prudent at that time, and still is prudent, to start at that level, and then to see what can be built on and what is necessary thereafter.

That pledge was ditched by the new Government within six months. As the then Prime Minister explained, and I am not looking at my memoirs here, when I asked why they did not proceed with a proposal on which they were elected, "Jim, because it was not enough", but I never knew for whom it was not enough. I can assume only that it was Dublin and Washington, with a bit of the European Community—sorry, I am not politically correct; it should be the European Union, I suppose—thrown in.

The partners in the reversal of that election pledge were utterly blind to the simple fact that, in aiming too high too soon, they were dividing and not drawing together the Northern Ireland parties, then at variance at the turn of that decade—1980. Fifteen years on, a different mood prevails. There has developed a willingness to sink differences and to work together in practical ways on issues of real benefit. In local government, there is a tendency to put the interest of local communities before party advantage and, yes, sometimes even before the consideration of mayoral chains. What a sacrifice that entails.

Belfast city council has elected a Unionist lord mayor and a Nationalist deputy lord mayor. Those developments are possible because of the growing self-confidence within the ranks of what I have termed "the greater number." I have to be generous and readily forgive the infringement of my copyright to that title. I welcome all those recruits after all the lonely years when I sat alone on that little rock proclaiming that message and began to assert that we in the Ulster Unionist party have a responsibility to represent and protect the interests of that greater number consisting of Protestants, Roman Catholics and those of no religion at all who, admittedly with varying degrees of enthusiasm, simply want to remain within the United Kingdom.

You and I, Madam Deputy Speaker, and all our colleagues in the House have a still wider responsibility which springs from the fact that on the day that we were elected we took upon ourselves a duty to improve the lot of even those who do not share our attachment to the United Kingdom. We are responsible for looking after, representing and protecting the interests of those who vote for us, those who vote against us and those who do not bother to vote at all.

I am optimistic about the future. By the time we come to this debate next year, or perhaps before that, we shall have recovered from the unease caused by what I would call the remaining capacity of terrorists to resume their campaign at the flick of a switch. Unease has been increased by what I can only call the devilish wording of the framework document. I hope that both of those will be erased in a year's time and that that war of nerves will be over. I hope that at that time our people will recognise the extent of the efforts of those who set out to destroy their morale and will step into the future with self confidence restored.

The Secretary of State touched on the possibility of Sinn Fein eventually emerging at the end of all these rather tortuous talks as a bona fide democratic party. He will remember his right hon. Friend the Father of the House, the Member for Old Bexley and Sidcup (Sir. E. Heath) addressing to him the proposition and painting the picture that would confront us all when that day came. I have rather facetiously rehearsed them to the amusement of certain audiences. Let us suppose that the day will come when the Secretary of State is able to say, "Yes Gerry, you have decommissioned all your weapons, you have surrendered all your Semtex, and you have refrained from all the other sordid acts of violence." As we sit here, the IRA and other terrorist movements are engaging in such acts.

The Secretary of State will say, "You are now one of us, you are now clear. Sinn Fein can now become a democratic party and you stand for election." What is Mr. Adams's response? "Big deal. Secretary of State, I, Gerry Adams, was elected to the Parliament of the United Kingdom. I did not represent, but I was there nominally as a Member for five years. I have councillors in practically every one of the district councils in Northern Ireland. Is that all that we are to get?"

That was the question posed by the Father of the House, and it has been put to me in recent days by hon. Members in all parts of the House. I am putting it as a challenge, not only to the Secretary of State because it is a challenge to us all. That will be the testing time, the crunch issue. What could a Conservative or Labour Government give in addition to that which is given to the rest of us who represent democratic parties?

There has been a reconstructed Government, and the Secretary of State was today confirmed in office, on which he is to be congratulated. As I seldom watch the news I am not certain about the status of his colleagues, but I take that for granted. They must set about, or at least make a start, on the restoration of accountable democracy, probably at a modest level to begin with.

I am not ruling out more powers at a later stage. They must begin at a practical level at which there will be a role for all who are democratically elected and who are bona fide democrats. I do not rule out new methods of employing the talents and involving Northern Ireland Members of both Houses of Parliament.

[Mr. James Molyneaux]

As we debate here this evening, we cannot and dare not ignore the deep unease and frustration which grips the entire Northern Ireland community. It is slowly diminishing, but we have to work very hard to remove it in its entirety. The Government were elected to provide reassurance, confidence and sound administration for the whole of the United Kingdom and, with their authority restored yesterday—if we are to believe the news industry, which up to 5 o'clock yesterday was determined to destroy this Administration—they now have a bounden duty to remove all that uncertainty, and remove it now.

9.45 pm

Mr. Andrew Hunter (Basingstoke): I hope that the right hon. Member for Lagan Valley (Mr. Molyneaux) will forgive me if I do not take up the points that he has just made. I think brevity is commendable, and I am sure that my right hon. and learned Friend the Secretary of State will comment as appropriate on the right hon. Gentleman's points. I shall make three points as I know, Madam Deputy Speaker, that other hon. Members wish to catch your eye.

The first point is with regard to the substantive business. Quite obviously, the order must be approved by the House. It would be utterly irresponsible not to do so and there is no sane alternative course of action. The Government of the Province would be plunged into chaos were the House to do anything other.

Mr. Trimble: Will the hon. Gentleman give way on that point?

Mr. Hunter: I shall not give way because I believe, Madam Deputy Speaker, that many other hon. Members wish to catch your eye. I shall proceed with great alacrity.

I make the point again that I believe that it would be quite ridiculous to do anything other than approve the order. I appreciate the fact that hon. Members, perhaps especially those from Northern Ireland, will wish to take this opportunity to make wider and different points. I also acknowledge the fact that very many of us look forward to the time when the order can be consigned to history. We are not at that point yet and obviously the order must be approved.

My second point arises from the opening comments of my right hon. and learned Friend the Secretary of State. I hope that he appreciates the depth and strength of support throughout the country for the position that he and the Government have adopted and for his handling of his responsibilities. I see two primary reasons for that and the first takes me back to the debate of last year. I quote from *Hansard*, following the precedent set by the right hon. Member for Lagan Valley, and refer to my right hon. and learned Friend's speech of 30 June, in which he said:

"the future of Northern Ireland lies in the hands of its own people. There will be no change in its constitutional status as an integral part of the United Kingdom save in accordance with the democratic wishes of its people, and no political settlement without the participation of the main parties in arriving at it and the widespread acceptance of the people of Northern Ireland to the outcome."

With regard to the north-south body, a little later in his speech, my right hon. and learned Friend said:

"To impose . . . a structure against the will of the people of Northern Ireland would be incompatible with the principle of consent."—[*Official Report*, 30 June 1994; Vol. 245, c. 960.]

It remains the firm opinion of many right hon. and hon. Members that that is the basis of our approach to this question and that is the reason for the support.

A second reason for the continuing great support of my right hon. and learned Friend is the developments of the past year. No one who follows the situation can have any illusions whatever about the fragility of the ceasefires. The events of the past 48 hours or so have underlined and demonstrated that point. We have come a long way during the past 12 months, but there are still problems. The greatest is demonstrated by the orchestration of the unrest on the streets of the past few days. We know that the paramilitaries retain their structures, and that they continue to recruit, train and target. Nevertheless, the facts that exploratory dialogue has started, and that the Government seek to move rapidly to substantive talks, are great achievements, which deservedly win support.

During the past 48 hours or so, the prisoners issue has been very much on the agenda. My right hon. and learned Friend the Secretary of State may add to his earlier comments on the subject. It remains the understanding of many of us that, although in due course this vital issue can feature on the agenda of talks, we are not yet at that stage. We must first clear the initial hurdle of the decommissioning of illegally held arms and weapons. When that has been cleared, when the paramilitaries, both loyalist and republican, have clearly committed themselves to the principle of decommissioning, when there has been agreement over the modalities of decommissioning and when there has been an acceptable start to that progress, the agenda can widen.

It is, however, quite wrong for many well-intentioned people to argue that people who, quite unlike Private Clegg, set about their business with the direct purpose of murdering and maiming should be regarded in some way as "victims" of the troubles. They are not victims of the troubles; they were the orchestrators of them. It is to prostitute both reasoning and morality to say that people who took part voluntarily in terrorist activities are in some way victims of terrorism. That is not true, and we must reassert that point.

The order must be approved. We have come a long way in 12 months, but let us have no illusions about the difficulties that face us. However, the broad strategy that the Government have followed, with exploratory dialogue continuing, one hopes, eventually to substantive dialogue, should command support.

9.51 pm

Mr. Robert McCartney (North Down): On the occasion of my maiden speech, I pay tribute to my predecessor, the late Sir James Kilfedder, a man of kindness who was without peer as a constituency Member. It was entirely in character that his maiden speech should call for the accelerated payment of pension increases for the elderly. The aged and the disadvantaged are among the many who mourn his passing.

I am honoured to be the Member of Parliament for North Down. It is perhaps the most truly representative constituency of pro-Union sentiment in Northern Ireland. Its electors span the entire social spectrum and its main town, Bangor, has been the scene of a number of major terrorist bombings. The people of North Down share an almost universal desire for peace, but in electing me, they

have elected someone who is an open opponent of both the joint declaration and the framework documents as workable mechanisms for achieving peace.

I am proud, however, that the people of North Down endorse an inclusive, pluralist Union, free from the failed ascendency badges of the past. I am aware that a maiden speech is not supposed to be controversial. If it provokes a degree of intellectual or other energy, it may be allowed.

Mr. Mallon: Humility!

Mr. McCartney: Well, some of us are more humble than others. This evening, the Government propose to extend—*[Interruption.]* I believe that I am not being offered the usual courtesies of the House.

This evening, the Government propose to extend for another year a measure that was introduced more than 20 years ago as a temporary expedient. For 21 years, Northern Ireland has been governed, in the words of the distinguished Irish historian J. C. Beckett, like a half-alien dependency in a manner that would have been objectionable in a 19th century colony.

Arbitrary unaccountable government has turned part of the United Kingdom into what can be described only as a bureaucratic paradise. In its original and temporary form, such provision was barely defensible as emergency legislation in trying circumstances, but at least then this Parliament was solely responsible for Northern Ireland's affairs. Today, that despotic unrepresentative government is shared with a foreign power, in circumstances without precedent. There is no like situation throughout Europe.

The presence of a minority seeking union with another state is by no means unique, even within the European Community, and the present arrangement is in breach of international conventions and arrangements for dealing with similar problems. In Northern Ireland, 1.6 million British citizens are being jointly administered in secret, like a mandated territory, and not one of the Ministers from either the United Kingdom or the Republic of Ireland enjoys the benefit of having received a single vote from any person in Northern Ireland.

It does not help to assert that the final executive decisions are taken by the British Government by right of their claim to nominal sovereignty, or that the status of Northern Ireland within the United Kingdom will not change without majority consent. The truth is that the rights of each citizen in Northern Ireland are being systematically diminished by secret Executive action.

The claim that Northern Ireland is different and must be governed differently is both morally and politically repugnant, and implies the form of political apartheid once condoned in the United States and the Republic of South Africa as "equal but separate". The British citizens of Northern Ireland know that their interests will always be made subservient to those of their fellows in Great Britain who have the means to turn a Government out of office.

In Northern Ireland, the peace process is seen primarily as a mechanism for protecting Great Britain's economic interests rather than as one designed essentially to secure a democratic and permanent peace in Northern Ireland. The on-going discussions between scarcely rehabilitated—some might say dry cleaned—terrorists without any significant electoral support demonstrate the Government's true priority. Those same people are orchestrating the violence of the past few days.

The peace process is viewed as a disguise for marketing a political settlement acceptable to the two sovereign powers, regardless of how unpalatable it may be to the pro-Union majority. Indeed, the people of Northern Ireland believe that they, like the Czechs in 1938, are being asked to pay the price for England's peace.

The pro-Union people from both communities desperately seek and desire peace and a permanent cessation of violence, but they could have had that 25 years and 3,000 deaths ago at the price currently on offer. Peace is not to be found in the byzantine complexities of the framework document, which is designed to effect a policy, not to achieve a peace. Its clearly recognisable bias in favour of the single solution of Irish unity makes it patently unworkable.

Peace, I believe, can be found in the policy that I have entered this House to advocate. It is to be found in a cross-community, pro-Union majority which eschews sectarian triumphalism and embraces the principle of pluralism and socio-economic politics. It has a voice that is pro-Union, rather than Unionist, and advocates a cause that deserves to be heard. It spans both communities, and commands an expanding centre which can isolate the extremes of both terror and violent rhetoric. It redefines the Union in a way that includes everyone and excludes no one. It offers subscription to a political identity without the sacrifice of ethnic pride and cultural heritage.

The bipartisan agreement between the Government and the Opposition has, paradoxically, not helped the cause of peace. It has been said that when this House is in tumult and filled with dissent, the real business of the people is receiving its attention, but that when this House is in pious and self-congratulatory agreement, the cause of liberty is often not well served. Those oppressed by the Government rightly rely on the Opposition to protect their rights and redress their grievances. When such help is not to be found, both freedom and justice suffer. Did I not, however, believe in the essential fairness of the British people as reflected in their representatives in this House, I should not have come here in the first place.

The declared policy of the Government is to preserve the Union, but in reality they offer—in the opinion of many—a policy of covert institutional coercion into a united Ireland. The policy is designed to buy off terrorists who retain the means of damaging the British economy. It has been said that the discussions should continue between the Government and the representatives of Sinn Fein, who everyone knows are nothing more than the political front or aspect of a violent Provisional IRA.

In this, as in many other matters, the British Government would perform the role of honest broker—some might say judge. But how can a judge deal with a situation impartially when he himself has an interest? The interests of the British Government are not, and never have been, entirely congruent with the interests of the British citizens of Northern Ireland. The policy is pursued against the will of a peaceful majority and of an entire community disgusted by the elevation of terrorist supporters to the role of statesmen.

If there is one allegation or complaint made by the ordinary and decent people of Northern Ireland, it is an expression of disgust at seeing men and women, their hands still stained with the blood of innocents, being given an honoured place in discussions with representatives of Her Majesty's Government. There

[Mr. McCartney]

seems to be no position that the Government say that they will defend to the end that the same Government do not retreat from within a matter of weeks.

One of the more novel aspects of political life in Northern Ireland is the remarkable semantic athleticism displayed by members of the Government team. Parallel progress is one term which I heard this evening for the first time. I add it to parity of esteem and a working assumption of permanence. All those terms are difficult to understand.

Parallel progress presumably means that there will be some equal movement in tandem by both sides to the argument. We have heard of troop withdrawals, roads being opened and observation posts being dismantled. Where is the parallel progress and balance being displayed by those terrorist organisations with whom the Government would seek to negotiate? They continue to train, to observe and monitor the whereabouts, the goings, the to-ings and fro-ings, of members of the security forces. They continue to test even more wicked and awful weapons of destruction.

I am so recently elevated from the ranks of the governed—not to the ranks of those who govern, but to the ranks of those who observe that process a little more closely—as to be able to make some comment of, I believe, an objective kind upon what ordinary people think. The ordinary people of Northern Ireland do not, I venture to say, see matters relating to the peace process with quite the optimism of Her Majesty's Secretary of State for Northern Ireland.

I should like to say something finally about the declared policy of new Labour, which is said to be unity by consent. I pose the Opposition this question: would they be equally dedicated to union by widespread consensus if that can be patently demonstrated? For my part, I believe that new Labour could be so persuaded, because I believe it to be a party of principle rather than expedience. *[Interruption.]* Yes, it is a party of principle because experience teaches those who live in Northern Ireland that the Labour party in office has given greater support to the maintenance of the Union than Her Majesty's Government of the Conservative party. That Government have been loyally followed through the Lobby over a lengthy period by my currently estranged colleagues of the Ulster Unionist party while the people of Northern Ireland have witnessed what they believe to be an on-going weakening of their constitutional position.

The cause of democracy demands an end to secret government and requires the restoration of an accountable Administration, reflecting the will of the overwhelming majority of those representative of the entire community in Northern Ireland.

10.7 pm

Mr. Peter Robinson (Belfast, East): It is not merely the exercise of the conventions of the House that encourages me to congratulate the hon. Member for North Down (Mr. McCartney) on his thoughtful and challenging address. He is, after all, my Member of Parliament as a resident of North Down, at least until the boundary revisions take place.

Mr. John D. Taylor (Strangford): Hear, hear.

Mr. Robinson: The right hon. Gentleman no doubt hopes to be my Member of Parliament after the next election.

The hon. Member for North Down gave us a brief analysis of events in Northern Ireland, one with which I concur. That will not be a shock to the Secretary of State. I believe that the hon. Gentleman will make a valuable contribution to debates within the House. Many of us, having had a trailer this evening as he skirted the bounds of parliamentary convention, will look forward to the occasions when he can take the handbrake off and let loose in the House. My colleagues and I look forward to working closely with him in the years ahead. I believe that we can do so for the benefit of Ulster and its people and for the benefit of the Union that we cherish.

On the one hand, the debate this evening appears to be something of a ritual and, on the other hand, it could be said to be something of a fraud. The Secretary of State said that it was the renewal of direct rule. Those of us who live in Northern Ireland know that we do not have direct rule in Northern Ireland; it is anything but direct. The Secretary of State might be able to make that remark technically and legally, but everyone knows that he is almost the servant of Dublin. He can take no major decision without going, cap in hand, to seek the permission of the Dublin Government.

If that were not bad enough, the Secretary of State now finds himself further confined by having to take decisions within the parameters of Irish Republican Army acceptability. When the Government take decisions for domestic reasons that depart from that yardstick, they are quickly brought back into line by IRA-orchestrated violence. Some of us will hold our breath in the next few weeks as we wait to see what sops will be offered to Republicans in order to balance—if that is a fair description—the release of Lee Clegg.

The Government have followed a Republican agenda. They have done so from 8 December 1980 when the former Prime Minister signed the Dublin communiqué, which put the totality of relationships within these islands on the table for discussion, and they have continued with the Anglo-Irish Agreement of 1985, the Downing street declaration and now the framework document. The framework document, signed with the approval of John Bruton, sets up an all-Ireland body with a single purpose: to grow and grow until it exercises executive authority over the whole island of Ireland. Tory Members should blush when they reflect on how their party in government has betrayed the Unionists of Ulster.

After 25 years of terrorism, we are being induced to believe that the disease of terrorism has been cured because, by concession and capitulation, a means of achieving some moments of respite from the pain has been discovered. There is no inherent peace in such a process. It is a surrender package, varnished with a specious and a deceitful gloss. It contains nothing that answers its appearance. Behind the facade of continuing peace, Unionists are invited to yield and to relinquish their rights and liberties. Peace is offered on IRA terms and those who are not disposed to embrace it are branded as warmongers, wreckers and spoilers.

Meanwhile, the Provisional IRA continues to target and to train. It keeps its organisation intact while it stockpiles and develops new weapons. The IRA tells us that there is not—to quote one of its leading spokesmen

—a "snowball's chance in hell" of its handing over its weapons. During Prime Minister's Questions, the Prime Minister told us:

"Prominent members of Sinn Fein were present at a number of those events. They are far from the only violent demonstrations organised by Sinn Fein in recent months. I think that everyone in Northern Ireland is aware of that fact".—[*Official Report*, 4 July 1995; Vol. 263, c. 140.]

Everyone in Northern Ireland is indeed aware of that fact, but the Government have made a working assumption that the IRA has ended its violent campaign permanently. I asked the Secretary of State when he made his statement whether he would review his position in the event of violence and he said that he would do that. I hope that in his concluding remarks he will let us know what revision he has made of the IRA's permanent peace.

Meanwhile, the guiltless victims of IRA terrorism are despised and forgotten while their murderous oppressors are elevated and rewarded. Is it any wonder that we see around us in Northern Ireland a demoralised and alienated Unionist community that has been systematically and intentionally marginalised? Terrorists are promoted and, immune to the consequences of their actions, the Government pander to the tormentors of the community. They leave in their wake a community without faith in the political process, without trust in those who govern them, without belief that democratic methods can redress their grievances and, worst of all, without hope.

Under the cover of the renewal tonight, the Government, along with their Dublin partners, continue to pursue their all-Ireland programme. The Government raise a smokescreen to mask the betrayal by promising that their intentions will be subject to democratic consent. They do that by means of what the Prime Minister described as a triple-lock mechanism. I recall that the first of those mechanisms was that the agreement of political parties in Northern Ireland was required for the framework document proposal.

As 13 of the 17 hon. Members representing Northern Ireland oppose that framework document, as do the two main Unionist parties representing the majority of people in Northern Ireland, does not the Secretary of State accept that there is not and will not be widespread acceptance of the framework proposals and, therefore, if the triple lock is to be applied and not to be considered a sham, the framework document should be ceremoniously shredded?

I believe that the Government have no intention of applying the triple lock or of giving the people of Northern Ireland the opportunity to give or withhold their consent. The Government will learn that the principle of consent is not a device of political convenience to be offered and then denied. The principle of consent is more than a legal right. It is more than a political doctrine; it is a practical requirement. Without consent, Ulster cannot be governed and if the Government move to execute the framework programme the people of Northern Ireland will withdraw that consent.

If, however, the Government wish to operate democratic principles in Northern Ireland and accept that consent does not exist for their framework proposals, they will find Unionists willing to work with them and co-operate in seeking arrangements that are capable of winning widespread power in the Province.

My colleagues and I have already submitted to the Prime Minister and the Secretary of State an alternative talks process and alternative proposals for the constitutional future of Northern Ireland. We are keen to talk to the Government about those proposals. We will not, however, enter into talks based on the rejected framework process, but if the Secretary of State seeks to engage us in those proposals which are workable and can receive the consent of a widespread section of our community, we are certainly willing to engage him in dialogue.

I conclude for the sake of saving time, as other hon. Members wish to speak. The Government's present policy and their policies over all the years were based on the false assumption that there would inevitably be a united Ireland. I do not know whether they were convinced because of demographic changes or because they believed that the political argument had swung in that direction, but there is no inevitability about a united Ireland.

The strength of argument in Northern Ireland shows a growing support for the Union and a more inclusive support for it. There is nothing new about the concept of an inclusive Union; that was the concept of Carson to which every traditional Unionist should be adhering. I believe that the overwhelming majority of the people—Protestant and Roman Catholic—will continue to support the Union. Instead of basing their policies on the false assumption that the Union is to be overthrown and a united Ireland is inevitable, the Government should build policies based on the firm conviction that the Union will remain and determine how best Northern Ireland should be governed within that Union.

10.19 pm

Mr. Seamus Mallon (Newry and Armagh): It has been a rather uneasy House tonight for an Irish nationalist representative. Four elements of unionism have been heard—

Mr. Trimble: They are all around you; you are surrounded.

Mr. Mallon: We have heard not only the various strands of unionism which claim to represent all the people of the north of Ireland but the strand that emanates from the Government Front Bench. It has been an interesting pot pourri, and I have been trying to work out where all these strands of unionism coalesce. Of course they do not—for a very simple reason. There is no such thing as undiluted unionism, any more than there is such a thing as unadulterated nationalism. Tonight we have heard various attempts to define a form of unionism that best describes the mood and thoughts of the ordinary people of the north of Ireland.

The ordinary people of the north of Ireland think many things. They have many philosophies and many objectives, and they have a very sensitive approach to the political process. But the one thing of which they are sure is that the most valuable part of their lives now is the peace that is on them. The most valuable part of their lives, based on that peace, is the principle of consent which, for the first time, has been accepted on the island of Ireland by every political party, by the Irish Government, by the British Government, by all the nationalist parties in the north of Ireland and by the Republic of Ireland. I do not yet speak for Sinn Fein's position, because it has not yet defined it in this regard.

[Mr. Mallon]

If I may make so bold, I would point out what ordinary unionists and ordinary nationalists are thinking about at the moment. First, they are thinking about the absence of violence and killing; that is precious and it must be defended by us all. Secondly, they are thinking about the principle of consent which the British Government, along with the Irish Government, have written into the entire political equation: into the Anglo-Irish agreement, the joint declaration and the joint framework document. So the precious element of consent, which is the very contradiction of violence, is built into those three documents—which are opposed, we are told, by all elements of political unionism. One wonders who is reading unionism aright.

I offer my congratulations to the new Member for North Down (Mr. McCartney). I apologise for my little sedentary intrusion into his speech, but I do not think that it will be the last. I wish him well in this House, and I have no doubt that he will add to my confusion as to what real unionists in the north of Ireland think and want.

10.23 pm

Sir Patrick Mayhew: We have had a characteristically lively debate. A good many vintage vehicles have been brought out of the garage and, with more or less noisy exhausts, have contributed to an enjoyable concours d'élégance.

I congratulate the hon. Member for North Down (Mr. McCartney) on his election. His majority might have been a little less if the Conservative candidate had not rejected my offer to canvass for him. He began with a gracious tribute to his predecessor, Sir James Kilfedder, which all who are present in the Chamber will have appreciated. He has a great example to follow. Sir James was, as the hon. Gentleman said, a most remarkably dedicated constituency Member. I think that all of us will wish to try to attend his memorial service, which takes place in the Palace tomorrow.

I thought that the hon. Gentleman might have been a little light. He took that approach in extolling the virtues of his new constituency, as is the custom. I can put things right. I was in the hon. Gentleman's constituency not very long ago, in Bangor. After an enjoyable visit to the council, I walked about with the mayor, Mr. Roy Bradford. It took me an hour and a quarter to travel 150 yd, so eager were the hon. Gentleman's new constituents to shake my hand, wish me well and urge me to keep up the good work.

Mr. Trimble: Will the Secretary of State give way?

Sir Patrick Mayhew: No. I have heard the hon. Gentleman.

I thank the hon. Member for Redcar (Ms Mowlam) for her welcome to me. As for the status of the team, it is well established and all its members are back. We all think ourselves very fortunate.

I also thank the hon. Member for Redcar for the way in which she has responded to the Government's approach and the responsibilities of Opposition in the context of security in Northern Ireland. I hope that it will not do her a lot of damage if I say that I regard her attitude as highly responsible. I acknowledge that the hon. Lady is a doughty opponent on other matters of policy where she regards it as entirely right and proper to depart from the view that the Government are taking. That is an entirely proper line to take.

We have said that in the lifetime of this Parliament we shall not proceed with the privatisation of water supply, not least because of the extremely Byzantine problems that are to be found in charging arrangements. We need not take further time about that.

The right hon. Member for Lagan Valley (Mr. Molyneaux) is well known for not going overboard in responding to immediate changes. He is fairly canny, as most people would acknowledge with admiration. The right hon. Gentleman might have acknowledged that some 10 months have passed in which there has been an enormous reduction of terrorist violence. He might have acknowledged also that the economy has taken a pretty substantial turn for the better, that unemployment is falling fast and that employment is rising. I felt that he approached what he had to say in a negative way to which we are not accustomed. I am grateful, however, that he said that, looking to the future, he was optimistic. He was right to say that. I hope that the hon. Member for North Down will come also to share the optimism that—

It being one and a half hours after the commencement of proceedings on the motion, MADAM DEPUTY SPEAKER *put the Question, pursuant to Order [19 December].*

Question agreed to.

Resolved,

That the draft Northern Ireland Act 1974 (Interim Period Extension) Order 1995, which was laid before this House on 12th June, be approved.

STATUTORY INSTRUMENTS, &c

Motion made, and Question put forthwith pursuant to Standing Order No. 101(5) (Standing Committees on Statutory Instruments, &c.),

TRADE UNIONS (NORTHERN IRELAND)

That the draft Trade Union and Labour Relations (Northern Ireland) Order 1995, which was laid before this House on 20th June, be approved.—*[Mr. Kirkhope.]*

Question agreed to.

PETITION

Warley (Secure Unit)

10.28 pm

Mr. Eric Pickles (Brentwood and Ongar): I beg to present a petition on behalf of my constituents within the village of Warley within my constituency. The petition contains more than 1,300 signatures. It represents the majority of the village of Warley, which is concerned about the granting of planning permission to itself by Essex county council to construct a secure unit.

The petition reads:

To the House of Commons

The Petition of residents of the Parliamentary Constituency of Brentwood and Ongar Declares that they are opposed to the erection of a secure unit at Boyles Court on the grounds of the erosion of the Metropolitan Green Belt, impact on a Grade II Listed Building, loss of several mature trees and on grounds of public safety.

The Petitioners therefore request that the House of Commons do urge the Secretary of State for the Environment to review the granting of Planning Permission to itself for the development of a Secure Unit at Boyles Court, Warley, Brentwood, Essex.

And the Petitioners remain in duty bound to this honourable House.

To lie upon the Table.

Asthma Treatment (Leicestershire)

Motion made, and Question proposed, That this House do now adjourn.—*[Mr. Kirkhope.]*

10.30 pm

Mr. David Tredinnick (Bosworth): I hoped—and still hope—to raise some of the problems facing asthma sufferers, but I had not bargained on having to make a speech just a day after a leadership challenge and on the night of a reshuffle. One's chances of getting some coverage in the newspapers tomorrow morning may be severely curtailed because of the remarkable events that have occurred.

The background to the debate is simple. There are now more than 3 million asthma sufferers in Britain. Reports quote some 2,000 deaths nationally due to asthma every year, of which it is estimated that 80 per cent. are preventable. Research shows that 13 per cent. of children aged five to 17 have been diagnosed with asthma.

The cost to the national health service in terms of prescriptions is astronomical—about £400 million a year—and the number of prescriptions has increased by more than three quarters in the past 10 years. In addition, the cost to the economy is something in the region of 7 million working days a year, £70 million in sickness benefit and £400 million in lost productivity.

Why is the problem getting worse? Why is asthma the only treatable chronic condition in the western world which is increasing in frequency and severity? I suggest that there are various reasons. One that has been much in the news recently is house dust mites, which thrive in badly ventilated houses. We suspect that additional problems are caused by diet, smoking and traffic pollution with which I shall deal in a moment.

There is a great deal of confusion among the public about the extent of the problem because conflicting messages are reaching them through the press. Many of those messages are scare stories. A recent report stated that asthma cases had doubled over the past 20 years and that one in five children suffered asthma symptoms after exercising. Another report said that 7 per cent. of boys and 8 per cent. of girls were taking medication for asthma. Those contentions need to be validated. My hon. Friend the Minister could do a lot worse than to commission studies enabling accurate statistics to be put across. Although I do not dispute the figures, the reports are evidence of great concern.

In Leicestershire, a county of which I am proud to represent a part, an average of 20 people die from asthma each year, and there are approximately 50,000 sufferers there. A third of the people with asthma in Leicestershire have a substantial amount of time off work, and a third of asthmatic children are confined to bed for up to 10 days a year. A quarter of all the children with asthma have restricted sporting activity, and two thirds lose substantial time at school. In Leicestershire, we are addressing the problem through an asthma strategy group, which has been set up with the specific objective of increasing awareness through a guidelines pack, which is readily available, by supporting a school nurse asthma project for training nurses in schools, and by encouraging the development of parent support groups.

[Mr. David Tredinnick]

Leicestershire is at the forefront of counties which are addressing the problem of asthma, and I suggest to my hon. Friend that there are some lessons there that could be taken on board nationally. Leicestershire has made asthma a priority. The steering groups's developments include agreement for funding the appointment of a district asthma co-ordinator, the redistribution of £10,000 from the "Health of the Nation" budget, the development of a disease specification, which will be introduced in 1995-96, and the appointment of asthma nurse specialists in all acute units. The objectives in the local plan include a review of the adoption and implementation of clinical standards, asthma training for 90 per cent. of local nurses by 1995-96, and an audit of hospital admissions.

Those initiatives, with the new nurse practitioner network and a community awareness and public education campaign, have greatly assisted the people who suffer from asthma in my constituency and elsewhere in the county to address the problem. Furthermore, in Hinckley, the main town in my constituency, there was sufficient concern about asthma for an asthma support group to be set up and for the mayor to choose asthma as her charity for the year. That demonstrates the concern on the ground. I have met parents in the Royal Infirmary in Leicester and in Hinckley who are members of that group and discussed their problems with them. Asthma is a terrifying experience for the parents of children who suffer from it.

What is important about the support groups is that they help parents to understand the condition, to understand the treatment, why it is necessary, how to respond to the changes, the different uses for inhaled drugs, peak flow meters and the difference between preventive and symptomatic treatments. There is nothing more frightening than to have a child with asthma and not know what to do about it. I declare an interest as my own son has suffered from asthma and I speak from the heart when I say that it is a very frightening experience.

Leicester city, which I do not represent, also has its own initiatives. Time prevents me from going into them in detail tonight, but pollution levels are certainly a concern. To my mind, pollution on the roads is one of the key problems that we have to address as we try to come to grips with this illness, which is on the increase. I believe that small-scale measures could achieve great effects. My hon. Friend on the Front Bench does not, as yet, represent the Department of Transport, but the need for measures to reduce the number of vehicles emitting diesel fumes is evident. There is scope for discussions with petrol supply and retail industries with a view to securing the introduction of stage II pump controls. There should be more research into the health effects of PM10s from diesel fumes. Anybody who drives along the M1, as my hon. Friend and I do many times when travelling to our constituencies, will be aware of the problems that those fumes cause.

I referred to the issue of dust mites in the home. This is a little closer to my hon. Friend's Department. Not a lot is known about dust mites, but they cause problems for small children. These minuscule bugs live in eiderdowns and blankets. We must educate people about the problems caused to asthma sufferers by blankets that are not properly sterilised and cleaned. That could be done by means of an extended education programme.

I also believe—my hon. Friend will say that this is not his Department's responsibility, but he may wish to pass it on to his colleague at the Ministry of Agriculture, Fisheries and Food—that oilseed rape causes a problem, with those vast fields of yellow flowers that we see in the countryside nowadays. A couple of years ago my family stayed in a house surrounded by such fields, and I have no doubt that the gas, or scent, emanating from the flowers contributed to the respiratory problems that we experienced at the time—although I confess that my research in the Library was inconclusive.

I have referred to some of the difficulties experienced by asthma sufferers, and some possible solutions. Westminster council has a welcome solution to the problem of traffic fumes: on-the-spot fines. A possible solution whose importance is underestimated, however, is alternative treatment. As my hon. Friend knows, I have been treasurer of the parliamentary group for alternative and complementary medicine for many years, and I believe that alternative medicine has a great deal to offer asthma sufferers. My son was treated by a homeopathic doctor. The Department of Health could do much worse than recognise the possibilities.

I should say, in fairness to my hon. Friend the Minister, that his colleague Baroness Cumberlege recognises the need to integrate alternative medicine into the health service generally. I believe that a number of alternative treatments are relevant to asthma—not just homeopathy, but Chinese medicine and acupuncture. It is important for fundholding general practitioners and hospital doctors to understand the scope of the alternative treatments that are available. We should aim for integration of alternative and complementary medicine into the health service; my colleagues and I have campaigned for that for a long time. We also want health authorities and GPs fundholders to be free to purchase complementary therapies that would help asthma sufferers.

As I have said, Leicestershire has been at the forefront in dealing with asthma. There are some very good support groups, such as the one in Hinckley, which help parents to understand the difficulties. There are two national requirements. First, there is poor co-ordination between the different groups responsible for asthma; voluntary groups do not have enough resources to co-ordinate their activities. My hon. Friend's Department could act decisively and effectively in that regard. Secondly, the Government could take a leaf out of Leicestershire's book and make asthma a priority in their programme. Leicestershire health authority has set aside additional resources, having reached an agreement on funding and redistributed resources from its budget.

How effective it would be if my hon. Friend the Minister could tell us tonight that the Government will make dealing with asthma a "Health of the Nation" key objective. I believe that if he did so he would win many friends throughout the country. Asthma is perhaps the only illness of its kind that is on the increase, and affects people of all ages. We have much work to do. If my hon. Friend cannot give us an undertaking tonight to make asthma a "Health of the Nation" key objective, will he please consider the possibility in the near future?

10.44 pm

The Parliamentary Under-Secretary of State for Health (Mr. Tom Sackville): I congratulate my hon. Friend the Member for Bosworth (Mr. Tredinnick) on

raising this subject, and I commend Leicestershire health authority for the priority that it clearly attaches to asthma treatment. In doing so, it mirrors in an effective way the concerns of my Department about the burden that results from asthma, and about its increasing prevalence. I agree with what my hon. Friend said about the dreadful effects that that condition can have for children, and, indeed, for their parents.

As my hon. Friend knows, asthma is estimated to affect about 4 per cent. of the population sufficiently severely for them to require regular medical supervision. We would estimate that there are some 2 million sufferers in England, or perhaps 2.5 million sufferers in the United Kingdom. A broad range of statistics on asthma was brought together in "Asthma: An Epidemiological Overview", which was produced by my Department and which I launched on 22 March this year. Recently, I supplied my hon. Friend with a copy, and I hope that he found it useful.

Asthma costs the national health service a vast sum. The figure is about £450 million a year, of which £380 million represents NHS prescriptions. General practitioner consultations, hospital admissions and prescriptions for drugs used in asthma treatment suggest that the prevalence has been on the increase for many years.

We do not, of course, know the causes for certain, but it is likely that they are connected with both genetic and environmental factors. It has been suggested by the media and by some doctors that the recent rise in prevalence is related to increasing levels or changing patterns of exposure to air pollutants, particularly those related to motor vehicles.

As yet, there is no proven relationship between such pollution and asthma. Increasing levels of asthma have been recorded in countries such as Sweden, Fiji and New Zealand, which do not suffer from high levels of air pollutants. Other factors would seem to be involved, including air quality, maternal smoking and diet.

Episodes of poor air quality make the health of some people with asthma worse by increasing either the frequency or severity of asthma attacks, but trigger factors, as they are known, for asthma also include other substances in the environment which induce allergic reactions. As my hon. Friend has said, those include house dust mites, pollen, fungal spores, respiratory infections such as cold and flu, and events such as exercise, emotion and stress. Some trigger factors could clearly be more easily avoided, such as exposure to cold air, to which some asthma sufferers are particularly susceptible, pets and animals, some medicines such as aspirin, and cigarette smoke.

I was interested to hear my hon. Friend's comments on the possible effects of road traffic emissions on asthma sufferers. I mentioned that the effect of traffic emissions on asthma remains uncertain. Although air pollution can exacerbate symptoms, the evidence suggests that air pollution is not the main factor triggering asthma attacks in those who are susceptible to them. Nevertheless, we remain concerned to investigate those issues further and to do what is reasonable to reduce undesirable effects of traffic emissions, which may have other effects, as well as those on asthma sufferers.

As my hon. Friend mentioned, the Government have developed proposals for improved management of air quality, set out in the document "Meeting the Challenge", which was published by my right hon. Friend the Secretary of State for the Environment earlier this year. That provides a framework within which effective policies can be developed to improve air quality, and some of the key legislation needed has been included in the Environment Bill.

Public health policy for asthma is aimed at keeping sufferers free of asthma symptoms, to enable as normal a life as possible. That is achieved by sufferers knowing what their individual trigger factors are and how to avoid them, and knowing what practical steps and medicines they may take to control their symptoms. Asthma is combated by provision of health care resources to enable people to manage their own conditions as far as possible.

It is, of course, a matter for the professions concerned, and the British Thoracic Society produced revised guidelines in March 1993 which included advice on how patients should manage their asthma. The Department of Health drew the guidelines to the attention of health authorities in December of that year. I remind the House that it is for local health purchasers to determine the priority to be given to asthma services for their own populations.

The Department of Health has provided a national framework for the provision of primary care for asthma in the new arrangements for health promotion and chronic disease management which we introduced in July 1993. Asthma is one of the target areas of that programme. Under it, general practitioners are eligible for fixed payments for setting up and overseeing an organised programme of care for asthma. Over 90 per cent. of all GPs have been approved to run such a programme.

The advisory group on the medical aspects of air pollution episodes has also examined the evidence relating to the effects of episodes of elevated concentrations of individual air pollutants upon normal and asthmatic individuals. Since the publication of its reports, new evidence has been continually reviewed by another committee, the Committee on Medical Effects of Air Pollutants, for a range of pollutants including ozone, oxides of nitrogen, sulphur dioxide and particles.

That committee has been asked for advice on links between asthma and exposure to low levels of air pollution. A sub-group was set up last year to examine the relevant evidence, and we expect its definitive advice in the autumn, after which a report will be published.

Across Government more widely, my Department is working closely with the Department of the Environment and other Departments. The two Departments are organising a one-day conference in November on the causes of asthma and what everybody can do to alleviate its effects. In October last year, my Department, together with the Department of the Environment and the Medical Research Council, announced a major research initiative on air pollution and respiratory disease, including the possible links between air pollution and asthma. Over the next few years, a total of up to £5 million will be available if suitable high-quality projects are presented.

Proposals were invited on a range of aspects, including the role of air pollutants, either individually or in combination, in respiratory disease, particularly asthma, and their possible interaction with other causes of respiratory disease. My hon. Friend referred, for example, to the role of factors such as house dust mites and tobacco smoke in asthma.

[Mr. Tom Sackville]

The effects of air pollution on health has also been identified as a priority area in the environmental health theme of my Department's programme, and a strategy for research is being developed. A number of relevant research projects are already being funded under the programme.

The Health and Safety Executive, which is the responsibility of my right hon. and learned Friend the Secretary of State for Employment, is responsible for policy on prevention of occupational asthma. I know that the HSE is giving a high priority to reducing the incidence of asthma in that field. Its "Breathe Freely" campaign has raised awareness of the dangers of respiratory sensitisers, which are substances that create an allergic reaction in the respiratory system.

It has also reminded employers of their duty under the Control of Substances Hazardous to Health Regulations to control exposure to them. The HSE continues to focus on respiratory sensitisers under its management of health risks campaign which it launched on 1 May.

Mr. Tredinnick: It is interesting to hear about the range of research that is taking place. Is my hon. Friend's Department co-ordinating that research? When the Medical Research Council work and the other projects are complete, will there be a publication in which the findings will be amalgamated, so that they may be readily available to those who are concerned about asthma?

Mr. Sackville: The principal body for carrying out research is the Medical Research Council, but there is a centrally commissioned programme in my Department, and we work closely with the Medical Research Council. I take note of what my hon. Friend says about the need to bring all these matters together, so that there can be some readily understood document which will tell all those concerned what is being done and outline the level of success that has been achieved.

I turn to the question of public information, which relates to what my hon. Friend the Member for Bosworth has just said. More information certainly needs to be available to the public. I am sure that my hon. Friend is aware of the marvellous work of the National Asthma Campaign—the leading voluntary organisation in the subject—in offering support and information to people with asthma and their families through its national network of 200 branches.

The NAC publishes leaflets, publications and videos, and has an asthma help line staffed by specialist asthma nurses. I understand that the help line received 20,000 calls last year. My Department is giving the NAC a grant to fund a member of staff to co-ordinate its work for children with asthma.

In that connection, the Department for Education is in the process of drawing up a draft circular on the management of medication in schools. Its officials have been working closely with my Department on this and talking to interested outside bodies, including the National Asthma Campaign. We certainly favour children with asthma being encouraged to manage their own condition as early as is consistent with their development.

My hon. Friend called on the Government to include asthma as a key area in "The Health of the Nation". The House will be aware that that is the subject of a recent early-day motion. I should say, however, that, although the White Paper designated asthma as a strong contender for key area status, it was recognised that research was needed into its causes and into what could be done to prevent it.

There are three criteria for key areas status. First, the area should be a major cause of premature or avoidable ill health, which asthma clearly is. Secondly, the area should be one where effective interventions are possible. There are, of course, known interventions for asthma which can potentially improve the prognosis of people who already have asthma, but much less is known about the factors which lead to the disease developing in the first place.

Thirdly, it should be possible to set objectives and targets and monitor the progress towards them. That is certainly the most difficult of the three criteria for asthma to meet. Mortality targets, which would be one measure, would be of limited value by themselves, as—fortunately—deaths from asthma are relatively uncommon. Morbidity targets based on routine statistics would be difficult to interpret. For example, improvements in service provision could lead to an increase in numbers treated. Clearly it is important to identify effective interventions and ways of monitoring outcomes before considering whether it is appropriate to set targets.

An ad hoc expert group has recently reported to the chief medical officer on possible interventions and targets for asthma so that it might be reconsidered for key area status in "The Health of the Nation". I assure my hon. Friend that we shall give that report full and careful consideration, together with the further reports on asthma that I have already mentioned, which are expected shortly.

I reassure my hon. Friend and the House that the Government take the problem of asthma extremely seriously. I mentioned the range of national initiatives, and I am pleased that they are being developed locally in his area of Leicestershire. He suggested the need for a co-ordinated national policy. I shall therefore summarise our policy, which is quite simple.

We will continue to improve our knowledge of the causes of the disease and do everything that we can to make life as normal as possible for those who suffer from this very distressing condition.

Question put and agreed to.

Adjourned accordingly at two minutes to Eleven o'clock.

House of Commons

Thursday 6 July 1995

The House met at half-past Two o'clock

PRAYERS

[MADAM SPEAKER *in the Chair*]

NEW WRIT

For Littleborough and Saddleworth, in the room of Geoffrey Kenneth Dickens Esquire, deceased.—*[Mr. Goodlad.]*

PRIVATE BUSINESS

ACCOMMODATION LEVEL CROSSINGS BILL *[Lords]* (*By Order*)

Order for Third Reading read.

To be read the Third time on Thursday 13 July.

LONDON LOCAL AUTHORITIES (No. 2) BILL *[Lords]* (*By Order*)

Order for consideration, as amended, read.

To be considered on Thursday 13 July.

CITY OF WESTMINSTER BILL *[Lords]* (*By Order*)

Order read for resuming adjourned debate on Question [26 June].

Debate to be resumed on Thursday 13 July.

Oral Answers to Questions

AGRICULTURE, FISHERIES AND FOOD

Milk

1. **Mr. Nigel Evans:** To ask the Minister of Agriculture, Fisheries and Food what representations he has received about the price of milk quota. [31158]

The Minister of Agriculture, Fisheries and Food (Mr. Douglas Hogg): The Department has received a number of representations but, as the House knows, the price of quota is dependent on market factors.

Mr. Evans: I congratulate my right hon. and learned Friend on his new and richly deserved promotion to the Ministry of Agriculture, Fisheries and Food, and I congratulate my other hon. Friends on their ministerial appointments. As my right hon. and learned Friend will know, the price of milk quota is extremely high, and it is difficult for new entrants into dairying to afford it on top of all their other costs. Will he please take note of the problems of new entrants with the price of milk quota, and also consider the possibility of securing more milk quota for Britain, as we have only 85 per cent. of the quota that we need for full production in this country?

Mr. Hogg: On my own behalf and on behalf of my hon. Friends, I am grateful to my hon. Friend the Member for Ribble Valley (Mr. Evans) for his kind remarks. I know that, with his constituency experience, he is a formidable advocate of the interests of the farming constituency. I am indeed conscious of the fact that the price of milk quota increased substantially last year. That was due to a variety of market factors. I know, too, that there is concern about new entrants, and if there are sustainable proposals for addressing that question we shall certainly consider them.

Mr. Pike: I congratulate the Minister on his promotion to the Cabinet. Is it not daft that although we have the right climate in this country to produce enough to meet all our requirements both for milk and for dairy products, we cannot do so? That is why the milk quota price is so high. Are not the Government failing the country's farmers if we do not get a higher milk quota which would enable us to meet our requirements?

Mr. Hogg: It is perfectly true that we are not self-sufficient in milk, but that has always been the case. It arose because the base year of 1981 was less favourable to us than we would have wished. To be honest with the hon. Gentleman, however, the prospect of significantly enlarging our quota is remote.

Beef

2. **Mr. Riddick:** To ask the Minister of Agriculture, Fisheries and Food what was the cost of beef special premium in the last year for which figures are available in (a) the United Kingdom and (b) the European Union as a whole; and if he will make a statement. [31161]

The Parliamentary Secretary to the Ministry of Agriculture, Fisheries and Food (Mr. Tim Boswell): United Kingdom farmers were paid some £120 million, and European Union farmers as a whole some £500 million, during the year ended October 1994.

Mr. Riddick: First, I warmly congratulate my hon. Friend on his appointment to the Ministry; he knows rather a lot about agriculture. Is he aware that a farmer of my acquaintance recently lost the premium on two of his steers because he misread one number on each tag, in one case mistaking an eight for a three? I was there at the time of the inspection and the inspector was very particular. This is an EU-wide scheme. Can we be sure that the scheme is policed as rigorously on the continent as it is in this country?

Mr. Boswell: First, I am grateful to my hon. Friend for his kind remarks. We want equality of treatment between ourselves and our counterparts in the EU, and we shall press the Commission to ensure that there is an equal level of enforcement in all member states. I am aware of my hon. Friend's concern about the specific case to which he referred, but perhaps it would be better not to rehearse that case in the House this afternoon. As a general principle, while we will be firm in the pursuit of fraud, we wish to be as flexible and farmer-friendly as possible in the interpretation of the rules and any minor errors that occur.

Nutrition

3. **Mr. Clapham:** To ask the Minister of Agriculture, Fisheries and Food what projects his Department is funding aimed at improving nutrition for families on income support. [31162]

The Parliamentary Secretary to the Ministry of Agriculture, Fisheries and Food (Mrs. Angela Browning): We contribute to the work of the nutrition task force to collate and disseminate examples of effective local initiatives and good practice which might assist those on low incomes to follow a healthy diet.

Mr. Clapham: I do not think that the Department is doing enough. The Minister will be aware that there are 4 million children living in families with incomes less than half that of the average family. In other words, they are living below the poverty line. Does the Minister agree that many of those children will be living in families whose only income is income support and that those families will be unable to provide the adequate and nutritious meals which ought to be provided to children? Is not the health of those children being harmed? Is the Minister aware that many parents are going hungry to ensure that their children receive adequate meals? In the circumstances, does she agree that the Department ought to be doing more?

Mrs. Browning: I am sorry that the hon. Gentleman is not fully aware of what the Department is doing. Under the "Health of the Nation" project team, we are contributing to a project—on which a report will be made in October this year—which looks across the lower socio-economic range in terms of nutrition. That project will embrace the people to whom the hon. Gentleman referred. We are funding research by the Institute of Food Research at both Reading and Glasgow universities, and we are also involved in a project by the Joseph Rowntree trust at the London school of hygiene and tropical medicine on one-parent households.

Mr. John Greenway: Does my hon. Friend agree that fresh produce from British farmers and growers—the price of which has fallen below the rate of inflation since 1979—provides every family in this country with the opportunity of a high-nutrition diet? Will she join me in welcoming the Thank the British Farmer campaign that was launched at the royal show this week and in wishing the campaign every success?

Mrs. Browning: I am happy to join my hon. Friend in wishing the campaign well. Basic foodstuffs, such as bread, potatoes, pasta, rice, seasonal vegetables and fruit, play an important role in the diets of people on lower incomes.

Tobacco

4. **Mr. Etherington:** To ask the Minister of Agriculture, Fisheries and Food what will be the cost of the common agricultural policy tobacco regime in 1995. [31164]

Mr. Boswell: The latest estimate is around £900 million.

Mr. Etherington: I congratulate the Minister and his Front-Bench colleagues on their appointments and wish them well. The Minister confirms that some £2.6 million per day is squandered on supporting an industry which leads to the death of people. Will he assure the House that the Government will make every endeavour possible within the EU to ensure the complete elimination of subsidies to this nefarious industry which is well known to be full of fraud? Will he also assure the House that more efforts will be made to have such funding put into something which conserves and improves life rather than destroys it?

Mr. Boswell: I thank the hon. Gentleman for his kind remarks. I share his view that the present cost of the tobacco regime is excessive. We wish to reduce that cost, and we shall take every opportunity that we can to do so. We have had some success in cutting the subsidised tonnage by an eighth and we shall continue to press that.

On the hon. Gentleman's remarks about the health implications, in a former capacity earlier this week I had the privilege to be on the platform with my right hon. Friend the Member for Surrey, South-West (Mrs. Bottomley), then Secretary of State for Health, in connection with "The Health of the Nation". I certainly agree with the hon. Gentleman that that is a message that we should get across, particularly to our young people.

Mrs. Lait: Are any studies being conducted into alternative crops to which tobacco farmers could move, so that we can bring an end to this unpleasant subsidy?

Mr. Boswell: My hon. Friend makes a characteristically helpful and constructive comment. It is clearly the case that farmers in all parts of the Community, especially in difficult areas, who are used to growing tobacco, will need alternatives. We need to look at the matter constructively. The danger is that those will simply add to the cost of other commodity regimes within the common agricultural policy.

Common Fisheries Policy

5. **Mr. Kirkwood:** To ask the Minister of Agriculture, Fisheries and Food what recent discussions he has had with his European counterparts on effort control functions in the CFP; and if he will make a statement. [31165]

The Minister of State, Ministry of Agriculture, Fisheries and Food (Mr. Tony Baldry): My predecessor sent the hon. Member a copy of his reply of 19 June to my hon. Friend the Member for St. Ives (Mr. Harris) on the outcome of the Fisheries Council held in Luxembourg on 15 June.

Mr. Kirkwood: I welcome the Minister to his new berth looking after fisheries and I hope that he will not get too far out of his depth too quickly. Does he agree that encouraging skippers to pursue fisheries outside traditional United Kingdom waters could make a significant contribution to reducing pressure on North sea stocks? Is he aware that some skippers in Eyemouth in my constituency are finding it difficult to pick their way through the bureaucracy to get their hands on some of the grants that would enable them to transfer? Will he undertake as a matter of priority to make those grants available to skippers in the North sea fleet, as other European Union Ministers do? As he has now been in office for nearly four hours, is it not about time that he got something done about that?

Mr. Baldry: First, I thank the hon. Gentleman for his kind comments. I am well aware of the understandable

concerns of many fishing communities about their future. The hon. Gentleman's constituents are obviously trying to find out whether there are other opportunities out of traditional fishing waters. If he and some of the skippers from his constituency would like to discuss that with me, I would be interested to find out whether there are ways in which we can help further. It would be disingenuous to suggest that there are either undiscovered waters or undiscovered sources of funding in the European Union budget or our own funds which might give them substantial help, but I am certainly prepared to study every possible detail which might be of assistance to his constituents.

Mr. Harris: I welcome my hon. Friend to his post and hope that he will not find it too painful a bed of nails. I also pay tribute to his predecessor. Has he had time to grasp the fundamental point that for any control mechanism to succeed it must be seen by our fishermen to be broadly fair in terms of the way they are treated compared with fishermen from other member states? In that respect, may I give him a little advice and suggest that he could make an excellent start by completely dropping any idea of implementing our unilateral days-at-sea restrictions, which the industry will never stand?

Mr. Baldry: I think that the whole House would join my hon. Friend in his remarks about my predecessor, my hon. Friend the Member for Fylde (Mr. Jack), who did an enormous amount to assist the United Kingdom fishing industry. The House knows the considerable interest that my hon. Friend the Member for St. Ives has in this matter. I hope that in the not too distant future I shall be able to visit his constituency and meet the fishermen with him to hear of their concerns at first hand. He can rest assured that we are taking enforcement of fisheries arrangements very seriously. Of course they have to be seen to be fair. Spanish fishing activity, for instance, will be monitored very closely when the new access arrangements take effect next year.

On days at sea, as my hon. Friend knows, we have yet to hear from the European Court on that matter. When we do, we shall have to consider the judgment in the light of existing conditions—not least the fact that, since the idea was first mooted, the European Commission has introduced ceilings on effort in western waters. Clearly that has now to be taken into consideration.

Mr. Macdonald: I join other hon. Members in welcoming the Minister. He mentioned Spanish access. Will he take an early look at the way in which the control regime on Spanish access will affect the inshore fleet around western waters? There is no Spanish access to the inshore fleet, so it would seem absurd to bring the inshore fleet into restrictions that are now being proposed to control both British and Spanish boats in western waters. I ask the Minister to take an early look at that and perhaps write to me about whether an exemption can be provided for boats which operate purely within the 12-mile limit, in inshore waters.

Mr. Baldry: We must recognise that it was at the United Kingdom's insistence that both the coastal and flag states are to have a key role in monitoring the fishing activities of vessels permitted to fish in western waters. The European Commission has just published its proposals. We shall study those proposals carefully to ensure that they are fully justified and that they are compatible with the commitment to minimise the burden falling on our industry, because obviously a balance must be struck between enforcement and minimising the burdens on industry.

Animal Exports

6. **Dr. Spink:** To ask the Minister of Agriculture, Fisheries and Food what steps he is taking to encourage the export of animals on the hook rather than on the hoof. [31167]

12. **Mr. Congdon:** To ask the Minister of Agriculture, Fisheries and Food what efforts he is making to encourage the export of British meat rather than live farm animals. [31173]

Mrs. Browning: I am glad to say that meat exports are well up in 1995 compared with 1994 and we are working with the Meat and Livestock Commission to open up new markets.

Dr. Spink: I am grateful to my hon. Friend for that answer. Can she confirm that UK meat exports have almost doubled since 1991, and that that is the result of the very high quality of British beef? Can she also confirm that about 80 per cent. of exports today are on the hook, not on the hoof, and that we want to promote more exports on the hook? Will she avoid adopting the policies of the Labour party, which would bring about worse animal welfare for animals throughout Europe as a whole and would simply betray our farmers and our meat industry?

Mrs. Browning: My hon. Friend is exactly right. Of the meat that is exported—£948 million worth per year—80 per cent. is on the hook. He is also right that if we had followed the advice of the Labour spokesmen and their Back-Bench colleagues—many of whom signed an early-day motion wanting to ban live animal exports completely—my right hon. Friend the then Minister would not have achieved the magnificent arrangement that he obtained in Brussels to ensure that animal welfare is improved throughout the Community.

Mr. Congdon: Given the concern which exists in the country about the export of live animals, I very much welcome the previous Minister's endeavours in Brussels to obtain a good agreement which reduces journey times and improves the watering and feeding of animals. Can my hon. Friend assure me about the steps to be taken to ensure that the measures agreed will be properly enforced?

Mrs. Browning: One of the strengths of the agreement achieved by my right hon. Friend was that those measures will be enforced throughout the Community and a licensing system will be introduced which will be policed throughout the Community. That can only benefit animals throughout the Community. That is what we sought to achieve; we were told by Labour Members that it was not possible, but it was and we did.

Mr. Tyler: While welcoming the fact that the Minister is still there, I also welcome the fresh faces in the ministerial team. May I ask her to communicate to her colleagues the need for fresh priority to be given to the issue of animal welfare and animal disease? I invite her to comment on the changes that have taken place in the

European Community this week on bovine spongiform encephalopathy, which may threaten a significant sector of our livestock producers and pose an export problem generally.

I also ask the Minister to consider the specific issue of bovine tuberculosis in which, as her answers to me this week show, there has been a deplorable increase in the past five years—a 481 per cent. increase in incidence in England as a whole and a 618 per cent. increase in the south-west. That is extremely damaging. Is that not a case of Ministry policy having failed, failed and failed again?

Mrs. Browning: To deal with the last point first, I am very worried about the incidence of bovine tuberculosis. I only wish that hon. Members on both sides of the House would recognise that the cause of that is badgers. It is an emotive issue.

I am very worried about the effect of bovine TB on the livelihoods of farmers, especially in the south-west. It is not only the costs of the animals that have to be slaughtered; it is the on-costs of maintaining the farm, with all that that implies. I assure the hon. Gentleman that he has my full attention on that matter and that I continue to look at it closely. On the first point that he raised, I assure him that I shall share with all new colleagues the concerns that he raised.

Mr. Morley: I congratulate the Minister on his new post and welcome the new members of his team. We note that the Government have felt the need to reinforce their Front Bench against the Labour Front Bench on this issue. Nevertheless, we look forward to a full and frank exchange of views.

On meat and live animal exports, the Minister will be aware of the opinion obtained by the Royal Society for the Prevention of Cruelty to Animals and the International Fund for Animal Welfare, (by Gerald Barling), QC, that the Government would be within their rights to stop the export of calves going into veal crates that are banned under our laws. Will the new team look again at that opinion, because although there have been some welcome small steps forward in animal welfare legislation, the new agreements will not stop even one calf leaving this country to go into a veal crate system which is banned in this country on the ground of cruelty?

Mrs. Browning: My right hon. Friend the former Minister replied fully to the hon. Gentleman about the Barling advice on many occasions. Nothing has changed on that. As the hon. Gentleman was unable to support us on the animal transport issue, I ask him to support the substantial progress that we have made in seeking to ban veal crates throughout the Community. The argument is the same: it is not just what we do in this country, but the welfare of calves throughout the Community that matters. That is what we seek and I hope that the hon. Gentleman will support it.

Mr. Marland: Everybody wants as many animal exports to be on the hook as is humanly possible. Is the Minister aware, however, that there are three slaughterhouses in my constituency and that to my certain knowledge one of them has recently been inspected by the newly created Meat Hygiene Service? In that well-run business, the Meat Hygiene Service has apparently discovered more than 400 items for complaint, which has caused mayhem not only in the company but in the local community because the business employs nearly 100 people. That is no way to encourage home slaughtering. Will my hon. Friend undertake to keep a grip on the Meat Hygiene Service and to ensure that over-zealous inspections do not result in extra expense and difficulties for local businesses?

Mrs. Browning: I am sure that my hon. Friend and all Members of the House support the need for high standards of hygiene in our slaughterhouses. However, I assure him that my grip on the Meat Hygiene Service is as tight as it possibly can be. If a business in my hon. Friend's constituency has a grievance, I invite him, with the owner's permission, to come along to MAFF and I will personally go through that list item by item.

Torry Food Science Laboratory

7. **Mrs. Ewing:** To ask the Minister of Agriculture, Fisheries and Food when he last met trade union representatives from the Torry food science laboratory to discuss alternative proposals to closure. [31168]

Mr. Douglas Hogg: Matters relating to staff management at the Central Science Laboratory are delegated to the chief executive, who has regular meetings with the trade union representatives. He informed the staff at Torry of my predecessor's intentions for the laboratory on 6 June 1995 and met staff and their representatives on 7 and 20 June.

Mrs. Ewing: The Minister will be aware that his predecessor gave a clear commitment that the report from the task force headed by Professor Pennington was to be considered by all at the Ministry of Agriculture, Fisheries and Food before a decision was reached. Will the Minister give us a clear assurance today that that commitment still stands? He will be well aware of the great concern in north-east Scotland about the future of the food science laboratory and its implications for the local economy as a whole.

Mr. Hogg: The hon. Lady is quite right. My right hon. Friend the then Minister, now Chief Secretary to the Treasury, did indeed give a commitment and I understand that the recommendations have come to the Ministry today, although I have not yet had an opportunity to read them. The proposals will be looked at before any final decision is taken.

Mr. Hawkins: First, I join the congratulations to my right hon. and learned Friend and his new Front-Bench colleagues. He is already aware of the importance of food science to the many food businesses in my constituency. Can he reassure me that there will be no reduction in the services provided by the Central Science Laboratory to the food industry right across the country?

Mr. Hogg: My hon. Friend makes an important point to which the short answer is yes. I will expand slightly on that. When I was at the Department of Trade and Industry, I was often responsible for decisions which involved the co-location and relocation of specialist agencies. There are career enhancement advantages in building up quite large specialist facilities because that offers members of staff more assured career progress. While I understand why people are very reluctant to move, there are advantages to staff in terms of career enhancement.

Dr. Strang: I congratulate the right hon. and learned Gentleman on his appointment. It is a great challenge and I am sure that he will respond to it.

Is he aware that the Torry food science laboratory has an international reputation and that it would be an act of vandalism if the scientific teams responsible for that work were to be broken up? Undoubtedly, many of them will not move to York, as the right hon. and learned Gentleman fully accepts. Will he make a name for himself right at the start of his period of office by taking on board the alternative local plan to which he has referred and intervening to secure a long-term future for the research station?

Mr. Hogg: I thank the hon. Gentleman for his kind remarks and I look forward to exchanges across the Dispatch Box on many an occasion.

The hon. Gentleman will keep in mind the reply that my predecessor gave on 6 June. I hope that it will be possible to transfer some of the jobs now at Torry to the Scottish Office marine laboratory. Whatever else happens, the science base, which is what matters, will be assured. That is really what the hon. Gentleman should address his attention to and I am able to give him an assurance on that point.

Mr. Robert Hughes: I thank the Minister for confirming the promise given to me by his predecessor that the issue of the food science laboratory would be looked at again. Now that the task force report has been delivered to him, will he agree to meet Members of Parliament from the area and Professor Pennington and some members of the task force to review the report in detail, as it is most urgent that it receives proper consideration before any final decision is taken?

Mr. Hogg: Certainly the report of the task force will be looked at before a final conclusion is reached. That commitment was given by my predecessor and it will be honoured. As to meeting hon. Members, perhaps I may say formally that it has always been my practice to respond quickly to requests from hon. Members for such meetings. That practice will be continued in the Ministry by me and by my ministerial colleagues.

CAP Fraud

8. **Mr. Stevenson:** To ask the Minister of Agriculture, Fisheries and Food what was the cost of reported common agricultural policy fraud in the EU in 1994. [31169]

9. **Mr. Timms:** To ask the Minister of Agriculture, Fisheries and Food how many cases of common agricultural policy fraud were identified in the United Kingdom in 1994. [31170]

Mr. Douglas Hogg: In 1994, there were 1,610 cases, valued at £313 million, of CAP irregularities, which include fraud, reported across the Community; 228 of these were United Kingdom cases with a value of £9 million.

Mr. Stevenson: Does that answer not confirm that fraud is endemic in the CAP and increasing? Is the Minister aware that, despite Government protestations, the cost of reported fraud in the CAP for the first nine months of 1994 was £110 million more than for the whole of 1993? What specific proposals has the Minister to address this international scandal and will he at least ensure that CAP fraud gets on to the agenda of the 1996 intergovernmental conference?

Mr. Hogg: I do not think, by the nature of things, that we can ever say how high the level of fraud is, but I accept that it is an important issue and needs to be tackled. The Government have been doing just that. The hon. Gentleman will know well the steps that we persuaded the Commission to take as a result of the Essen Council. The hon. Gentleman will know too that the policies that move support away from refunds on intervention and exports reduce the opportunities for fraud.

The hon. Gentleman will also know the importance of pursuing a disallowance policy for Governments who do not have sufficiently tight enforcement regimes in place. All these things are part of this Government's policy and we have secured great agreement within the European Union on their implementation.

Mr. Timms: I welcome the right hon. and learned Gentleman to his new post. Given the alarming scale of CAP fraud, is it not remarkable that the Government do not use the full allocation made available to them through the CAP for tackling fraud? Is the Minister aware that the proportion of the available allocation that has been used by the Government fell from 81 per cent. in 1993 to 74 per cent. in 1994? Can the new Minister assure the House that he will give a high priority to tackling fraud and that he will ensure that the resources available are used to good effect?

Mr. Hogg: I thank the hon. Gentleman for his kind remarks. Yes, tackling fraud is important and I will certainly see how, within the Department, we can do that effectively. However, I am sure that the hon. Gentleman would wish to be fair to the British farming community by stressing that in all probability, the level of fraud within Britain is very much lower than the level of fraud elsewhere in the European Union.

Dame Elaine Kellett-Bowman: I congratulate my right hon. and learned Friend on his promotion. May I point out that what causes concern is not the level of reported fraud, but the level of unreported fraud? I welcome the emphasis that my right hon. and learned Friend put on the fact that the nation states in which most of the fraud occurs should be penalised. I also welcome his emphasis on getting rid of the policies that lead to fraud, such as export refunds.

Mr. Hogg: It is always a pleasure to be congratulated by my hon. Friend. I am rather relieved that I am out of the reach of her handbag at this moment. My hon. Friend is correct and she has identified a number of the real points that we need to address. I can tell her that we will address them.

Mr. Garnier: Will my right hon. and learned Friend ensure not only that fraud is combated in this country, but that he will use his own offices and those of the European Union in Europe to ensure that national Governments enforce fraud observation in the other countries of the European Union?

Mr. Hogg: Absolutely. Beneath my hon. and learned Friend's question is the important point that although we have a problem of fraud in the United Kingdom, it is—I would wager almost anything on this—infinitesimal in comparison with fraud elsewhere in the European Union.

That is why we have to work with the Governments of the other countries within the Union and in the Commission; and we will.

Dr. Strang: The right hon. and learned Gentleman uses the word "infinitesimal". Is he aware that one of his predecessor's last acts was, in a written answer to me yesterday, to confirm that there have been serious irregularities involving the substitution and theft of beef going into United Kingdom intervention stores? Will he publicise all the information that his Ministry has on that? Will he tell us whether the United Kingdom taxpayer will have to pay a fine to Brussels and what sort of fine it might be? Does he accept that fraud is inherent in the market support mechanisms of the CAP? If we want to stop it, we need to end intervention buying and the subsidy of agricultural exports.

Mr. Hogg: As to the latter point, the hon. Gentleman is simply reinforcing a point that I made in reply to the hon. Member for Stoke-on-Trent, South (Mr. Stevenson). As to the level of fraud in this country compared with the level of fraud elsewhere, the hon. Gentleman will know that throughout the European Union in 1994, there were 1,610 irregularities—I gave the figure earlier—which were worth £313.2 million. In the United Kingdom in the same period, there were 228 irregularities worth £8.5 million. That is why I said that it was a very small part of the whole.

Fisheries Regulations

10. **Mr. Couchman:** To ask the Minister of Agriculture, Fisheries and Food if United Kingdom fishermen will be able to continue to fish as at present under the proposed regulations for the western waters applicable from 1 January 1996. [31171]

Mr. Baldry: Her Majesty's Government have negotiated arrangements that will enable current fishing opportunities to continue to be exploited.

Mr. Couchman: Given the importance of enforcement to our fishermen, can my hon. Friend say what resources have been made available for that purpose by the Government?

Mr. Baldry: We spend a substantial amount on fisheries enforcement—some £25 million a year, including some £19 million a year on enforcement at sea and aerial surveillance. United Kingdom fisheries protection vessels spend more than 3,000 days a year on patrol and undertake some 5,000 inspections of vessels from all member states and third countries fishing in our waters, because we are determined to ensure that the fisheries regime is enforced firmly and fairly throughout our waters.

Mr. Salmond: Will the new Fisheries Minister consult Ministry of Agriculture, Fisheries and Food files and see whether there is any evidence in any fishery internationally of a precedent for effective supervision and control of the Spanish deep-water fleet? If he finds no such precedent, will he then conclude that, as Fisheries Minister, it is his duty to recommend that there might well be some aspects of the common fisheries policy that would be suitable for revision at the intergovernmental conference?

Mr. Baldry: The hon. Gentleman can rest assured that we will ensure that every fleet is properly enforced, whether it be Spanish or any other fleet. The fisheries regime around our waters will be firmly and fairly enforced.

Arable Area Payments

13. **Mrs. Gorman:** To ask the Minister of Agriculture, Fisheries and Food what is the minimum size of farm which can apply for an arable area payment under the common agricultural policy. [31174]

Mr. Baldry: There is a minimum area on which the farmer can apply for arable area payments—0.3 hectares.

Mrs. Gorman: Will my hon. Friend confirm that that is under an acre of land, and that in some countries, such as Germany, because their normal farming methods differ from ours, a large number of people have plots that are really just weekend hobby plots, for which they draw subsidies paid for by our housewives in higher food prices—some £28 a week extra? Will he confirm that allotment holders in Britain would do better to apply for one of these subsidies rather than go on digging over their ground, and that it would be cheaper for them to buy their vegetables in Sainsbury's?

Mr. Baldry: The Government succeeded in removing most of the discrimination against large, efficient farmers, which Ray MacSharry proposed, when the CAP was last reformed. I agree that the best way to prevent discrimination is to have a market-led CAP that is not dependent on distorting subsidies. That would enable the efficient farmers to flourish at the expense of the inefficient. Where particular rural areas need special treatment for social reasons, those reasons should be addressed by appropriate social policies, not farm policy.

Mr. Foulkes: Is the Minister aware that some farmers, particularly small farmers, whose applications for assistance are late can lose a substantial amount of ground? Will he consider some mechanism of appeal or some greater degree of flexibility so that their applications can be considered? There is a case in my constituency where the application was just one working day late, and the farmer lost some £4,000 or £5,000. Is that not unfair? Could we have some degree of flexibility when considering this?

Mr. Baldry: There are very clear rules, and I think that farmers recognise that they have to abide by them. I suspect that what farmers are concerned about when it comes to the CAP is the suggestion by the Labour party that it will undermine the CAP regime. Opposition Members might pay attention to the former Scottish National Farmers Union president, John Cameron—Europe's biggest sheep farmer, with several hill units in Perthshire—who observed:

"Without subsidies—

which the Labour party is threatening to undermine—

"there would be no farming and no farm workers in the hills . . . The present system maintains rural populations".

That is what the Labour party would seek to undermine through its proposals.

Animal Exports

15. **Mr. Skinner:** To ask the Minister of Agriculture, Fisheries and Food what recent meetings he has had with

other EU Ministers regarding animal exports; and if he will make a statement. [31176]

Mr. Douglas Hogg: My predecessor reported the outcome of the latest meeting of the Agriculture Council in an oral statement to the House on 22 June. At that meeting the Council reached agreement on a comprehensive framework of law covering the welfare of animals transported throughout the European Community.

Mr. Skinner: The Minister will not be surprised to learn that I will not be congratulating him on his—*[Interruption.]*—sideways move. I do not think that his father would have been all that impressed. In the Earl of Warwick's Government, the lion king—*[Interruption.]* Is the Minister aware that at that last meeting the Minister of Agriculture, Fisheries and Food was whining and whingeing about the fact that he had been up all night, penned in, negotiating for several hours and that at the end of it, the Council decided to force sheep and cattle to travel for 31 hours? How would this Hogg like to be penned up for 31 hours?

Mr. Hogg: Well, for the past five and a half years I have been answering questions of a fairly statesmanlike character. I now go back, I see, to the cockpit. I am bound to say that, with a name like Hogg, it is rather an apt appointment. As regards my right hon. Friend's statement in June, he secured an extraordinarily good agreement. Of course, it is only the first step and we will do more, but it is extraordinarily curmudgeonly of the hon. Gentleman not to give credit where credit is due.

PRIME MINISTER

Engagements

Q1. **Mr. McGrady:** To ask the Prime Minister if he will list his official engagements for Thursday 6 July. [31188]

The Prime Minister (Mr. John Major): This morning, I presided at a meeting of the Cabinet and had meetings with ministerial colleagues and others. In addition to my duties in the House, I shall have further meetings later today.

Mr. McGrady: After the Prime Minister's success in his little local difficulty, congratulations would normally be in order, if it were not for the very great disadvantage caused to the communities of Northern Ireland by the introduction of the Clegg factor and the damage that it has done to the peace process. However, in the aftermath of that, could I ask the Prime Minister now to devote himself wholly to the pursuit of the cause of peace in Ireland, in view of the increasingly volatile situation there? Will he consider the appointment of an independent international arbitrator or negotiator to break the current logjam, rather than rely on his Northern Ireland ministerial colleagues, who have many departmental and other ministerial duties to attend to? There is a precedent for that in the inter-party talks.

The Prime Minister: I am looking at ways of breaking the logjam, but I do not think that it would be helpful to the hon. Gentleman if I were to discuss those this afternoon. I remain as committed to proceeding with the peace process in Northern Ireland as I have been since the moment I walked into Downing street. A great deal of progress has been made. It is crucially important that that progress is sustained. I hope that the hon. Gentleman and his hon. Friends, and all hon. Members from Northern Ireland, will join me in that search. I know that it is what they wish for and I am absolutely certain that it is what their constituents most wish to see.

Mr. Redwood: May I congratulate my right hon. Friend on his win? May I assure him that, like him, I wish to see a Conservative election victory? Would he agree with me that some of the ideas and policies that I set out in the past two weeks could make an important contribution to that victory?

The Prime Minister: I am grateful to my right hon. Friend for his words. I hope that he will agree with me that we had a fair contest last week. I am grateful both for the way in which he has spoken this afternoon and for the way in which he conceded the result of the election. Let me say to my right hon. Friend that there is a great deal that the Government will be doing in the months ahead which I know that he will wish to support enthusiastically. I will welcome his support, as will all my colleagues.

Mr. Blair: I offer my congratulations to the Prime Minister on his re-election with, I suspect, rather more sincerity than the right hon. Member for Wokingham (Mr. Redwood), and, of course, I also congratulate him on his new deputy.

Last year, the Prime Minister gave what he called a cast-iron commitment to nursery education for all four-year-olds. Is that still the case?

The Prime Minister: I am grateful to the right hon. Gentleman for his congratulations. I think that he congratulates me in the same spirit that Mr. Neil Kinnock did on one occasion. I am equally grateful and I look forward to the same result at the subsequent general election.

I confirm that, on a phased basis, I look for the introduction of nursery education for all four-year-olds and my right hon. Friend will announce this afternoon our plans and the phasing.

Madam Speaker: Mr. Peter Luff.

Mr. Blair *rose—*

Madam Speaker: I am sorry. Mr. Blair.

Mr. Blair: I know, Madam Speaker, that rather a lot has been going on on the Government Benches recently, so it is perfectly understandable.

If that is the Prime Minister's commitment, and we know that 90 per cent. of four-year-olds get pre-school education at present—indeed, the majority of those get it free in the public sector now—can he guarantee to make good his commitment, first, that he will provide the extra places that are necessary but, secondly, that nobody who now gets and qualifies for free public sector education will be forced to go private and top up the voucher?

The Prime Minister: I think that the right hon. Gentleman will find the answers to his questions very satisfactory and that he will find them very speedily. It is perfectly clear from events a moment or so ago that not

only is the right hon. Gentleman following most of our policies but it would seem that he may actually have joined the Conservative Benches.

Mr. Blair: It is Labour local authorities that have provided nursery education.

Never mind the Prime Minister telling us to wait for his right hon. Friend—this is his idea; his scheme. Can he give those guarantees or not? If not, many people will think that this is a con trick, not a genuine scheme for nursery education. Would not it at least be better to consider whether we could not obtain better value for money spending these hundreds of millions of pounds improving present provision for four-year-olds and bringing within the system three-year-olds who are shut out of the Prime Minister's scheme altogether?

The Prime Minister: No, the right hon. Gentleman will see that what we are proposing this afternoon will meet the points that he has in mind and meet them better than he could. I thought that the right hon. Gentleman was in favour of choice in education since he exercises it. We said that we would deliver pre-school education for all four-year-old children and this afternoon he will see that we will meet that policy. The parents of all four-year-olds will be given a voucher for pre-school education in the state, private or voluntary sectors, and we will put that purchasing power where it belongs. I had thought that the right hon. Gentleman was in favour of exercising rights of choice. We will see this afternoon whether that is true.

Madam Speaker: Now we will have Mr. Peter Luff.

Mr. Luff: Thank you, Madam Speaker. Everything comes to he who waits.

Does my right hon. Friend agree that a policy of withdrawal from the European Union, or a policy of immediate acquiescence in every idea that emerges from the Commission, no matter how damaging to the nation's interests, would both be acts of political and economic folly? Does it surprise my right hon. Friend in the slightest that the Leader of the Opposition has espoused both such policies?

The Prime Minister: I shall spare the Leader of the Opposition the quotes that I have used often enough in the House to indicate his changing view on Europe, from espousing withdrawal behind closed doors in 1983, to announcing subsequently that he had changed his mind, and then to wholehearted support for everything that happens in Europe without any reference to the British national interest. It is fudge, mudge and split the difference on every aspect of that policy. The right hon. Gentleman does not understand the difference between competitiveness and the social chapter and between national interest and a national veto. He will learn if he stays as Leader of the Opposition—if he stays as Leader of the Opposition. I doubt that he will because after the election I look forward to addressing his successor while I stand here as Prime Minister.

Mr. Ashdown: Why does the Prime Minister not realise that vouchers that only partly fund pre-school education are bound to be of more value to those who can pay the difference than to the poor whose children need help most? Surely, if the right hon. Gentleman put the whole nation first, he would put universal access to high-quality pre-school education for all before Conservative tax cuts at the next election.

The Prime Minister: The right hon. Gentleman really ought not to be so silly. We are placing a substantial sum in the hands of parents so that they can make a choice of nursery school education for their children. Now we know the Liberal party's position: no choice at all for parents. I do not know what happened to the Liberal party's old philosophy, but gone it completely has. If people want choice—if they want universal nursery education—they will get it from the Government, and from no one else.

Mr. Butler: Does my right hon. Friend agree that the appropriate tenure of a Conservative Prime Minister is not four and a half years involving one general election victory, but at least 11 years involving at least three general election victories?

The Prime Minister: There is certainly an honourable precedent to that effect, and I shall seek to follow it.

Q2. **Mr. Nigel Griffiths:** To ask the Prime Minister if he will list his official engagements for Thursday 6 July. [31189]

The Prime Minister: I refer the hon. Member to the answer I gave some moments ago.

Mr. Griffiths: Does the Prime Minister welcome the strong support that Lord Justice Taylor gave Sir Richard Scott at the distinguished Lord Mayor's dinner last night? Will he, too, give his strong support to Sir Richard?

The Prime Minister: I gave Sir Richard my support when I appointed him to head the inquiry.

Sir Anthony Grant: Is my right hon. Friend aware not only that the courageous decisions that he has made in the past week were wholly and absolutely justified, but that his Government are faced with the most inexperienced and fatuous Opposition whom I have seen in all the 31 years for which I have been in Parliament? Furthermore, I do not want a job.

The Prime Minister: My hon. Friend has been examining Labour Oppositions for many years, and I have no doubt that what he says is entirely right. After the next election, he will have an opportunity to study another Labour Opposition.

Q3. **Mr. Flynn:** To ask the Prime Minister if he will list his official engagements for Thursday 6 July. [31190]

The Prime Minister: I refer the hon. Member to the answer I gave some moments ago.

Mr. Flynn: Is the Prime Minister not appalled by the ungrateful treatment being handed out to the constituents of Basildon? Tory Members are reported to be seeking new seats and abandoning their loyal Tory voters in Eltham, Loughborough and, yes, even Basildon. Is the Prime Minister's advice to all his hon. Friends with majorities of less than 18,000, "Retreat now: abandon your voters, because it is 'No change, no chance'"?

The Prime Minister: I seem to recall hearing rather arrogant remarks like that before the last general election.

I seem to recall hearing rather a lot of them. Yet those who behaved in such an arrogant fashion long before the election are still sitting on the Opposition Benches.

Mr. Stephen: Does my right hon. Friend share the concern felt by so many of our constituents that the European Court of Justice and the European Court of Human Rights have a tendency to encroach far too much into areas that are properly within the sovereign authority of this Parliament and that if those institutions are to maintain the respect of the British people, they must exercise more self-restraint in future?

The Prime Minister: As I indicated to the House when I reported on the Cannes summit a week or so ago, there are areas where the European Court of Justice ought not to tread, and it was on that basis that I refused to allow it to have any jurisdiction whatsoever over the Europol convention, which I agreed with our partners in Europe at the Cannes summit. I believe that because it touches on sensitive matters that are rightly the prerogative of the British courts and no other, and on that point the Government's policy will remain as it is.

Q4. **Mr. Ainger:** To ask the Prime Minister if he will list his official engagements for Thursday 6 July. [31191]

The Prime Minister: I refer the hon. Gentleman to the reply I gave some moments ago.

Mr. Ainger: Given the description by the right hon. Member for Wokingham (Mr. Redwood) of the Prime Minister's leadership style as uncertainty based on indecision, is it the new job of the Deputy Prime Minister now to take the decisions, or has the Prime Minister not decided yet?

The Prime Minister: In elections—*[Interruption.]* The hon. Gentleman invites me to quote what was said during the Labour leadership election. There is often rough invective during elections. As the hon. Member for Bradford, West (Mr. Madden) said during the last Labour leadership election:

"It would have been easier to pull out their teeth than to have received straight answers to my questions."

The right hon. Gentleman the present leader

"enclosed 30 copies of his 20-page leadership election statement, which he said would answer most of my questions. On the most generous assessment, he touched on only ten of the questions",

and from the right hon. Member for Kingston upon Hull, East (Mr. Prescott)

"there was no reply whatsoever."

Pre-school Education

3.31 pm

The Secretary of State for Education and Employment (Mrs. Gillian Shephard): With permission, Madam Speaker, I will make a statement about pre-school education.

In October last year, my right hon. Friend the Prime Minister made a commitment to provide a pre-school place for all four-year-olds whose parents want to take it up. The places would be of good quality, reflect parental preferences, and not crowd out the private and voluntary sectors. He said that the first places would become available in the lifetime of the present Parliament. I can now tell the House how all four-year-olds will be enabled to have a pre-school place for three terms before compulsory school age. Copies of this statement will be available from the Vote Office.

Many parents do excellent work with their children at home, but the United Kingdom also has a long history of pre-school education: in state schools, in private establishments, and in a lively and vigorous voluntary sector led by playgroups. We want to build on that strength in diversity.

My plans will extend the entitlement to pre-school education to three terms for all four-year-olds. Some children already have that. My intention is to give that choice to the parents of all four-year-olds.

Parents know that good-quality pre-school education yields dividends in later educational life, but parents and their children have widely varying needs. Parents—better than Governments or councils—can judge which type of place suits them and their children best. That is why the plans that I am announcing today put power where it best belongs—in the hands of parents.

I intend that the parents of all four-year-olds should be given a voucher worth around £1,100 that they can exchange for pre-school education. The voucher will be exchangeable for: a part-time place—five half days a week—in any independent, voluntary or state sector institution, whether grant-maintained or LEA, providing nursery education; or a full-time place in a reception class in a state school where this is on offer; or up to a full-time place in a playgroup; or a combination of those.

Parents will be free to top up the voucher in the private and voluntary sectors, but not in state schools, where all education will continue to be financed by the taxpayer. Local education authorities and grant-maintained schools will be able to spend more than the value of the voucher on four-year-olds in their schools if they wish.

I fully expect that giving parents purchasing power through a voucher will stimulate the private and voluntary sectors to provide new places. I am sure that innovative partnerships between the public and private sectors—perhaps led by the private sector—will emerge where none existed before, to satisfy the range of parental demand. This will add to choice and diversity in pre-school places.

I intend the issue and redemption of vouchers to be undertaken by a private sector company under contract.

I should emphasise that these plans relate to pre-school education for four-year-olds alone. There are no plans to alter the funding mechanisms for the compulsory years of school.

In England, the total cost of pre-school education vouchers for four-year-olds will be about £730 million. The vouchers will be funded by a combination of some £165 million of new money for places for those 150,000 or so four-year-olds not already in some form of place in the state sector in England, and recouping some of the money local authorities already spend on pre-school places. Local authorities will continue to be able to provide full-time nursery school and nursery class places.

To ensure that the places are of good quality, I shall require each institution which wants to exchange vouchers to make a commitment to offer education appropriate to a set of desirable achievements for children's learning—including, for example, the areas of language, mathematics, art, and working with others.

I have today asked the School Curriculum and Assessment Authority to consult and advise on the detail of what those achievements should be, and whether one can or should set out the activities likely to lead to such achievements. I do not wish to impose uniformity, but I must be satisfied that the vouchers—which are, of course, taxpayers' money—are being exchanged for education.

I also propose a light-touch inspection framework to ensure that standards are maintained. Together with my right hon. Friend the Secretary of State for Health, I shall consult on the detail of an inspection framework which ensures as consistent an approach as possible across all establishments, taking account of the existing role of Ofsted, and of the local social services departments in establishments registered under the Children Act 1989.

We will also take into account existing registration and accreditation systems in the independent and voluntary sectors. In the spirit of the Government's commitment to deregulation, we shall also examine the case for revisiting existing requirements on child-adult ratios, premises and equipment and planning.

In the same spirit, I have it in mind to remove the requirement to publish statutory proposals to establish nursery places at grant-maintained and local authority schools. All those with an interest in pre-school education are being invited today to give their views. I shall produce a more detailed document in the autumn. Some of these changes will require legislation, and plans will be brought forward in due course after listening to views.

I intend that the policy should start in some areas in England as soon as April 1996. I estimate that about 150,000 four-year-olds in England do not have a pre-school place in the state sector. In the first phase, I intend to cover areas which account for up to 10 per cent. of those new places. Those areas will also cover a proportion of existing places.

I shall invite local councils to volunteer their areas for this first phase, and I aim to choose areas which are representative of the country as a whole. It will be for the independent, voluntary and state sectors in the chosen areas to offer new places to parents in exchange for their vouchers.

My right hon. Friends responsible for Scotland and Wales, and right hon. and learned Friend with responsibility for Northern Ireland and I intend that we shall have full kingdom-wide coverage a year later. My right hon. Friends and my right hon. and learned Friend will make separate announcements in due course.

The changes that I have just announced are a radical new departure. Giving parents vouchers that can be exchanged for three terms of good-quality pre-school

education for all four-year-olds is a significant step forward. My proposals demonstrate that what we promise, we deliver. They will widen opportunity for many families, without taking away anything that parents and their children enjoy now. More children will benefit from pre-school education. Purchasing power in the hands of parents will stimulate a market in the supply of places that parents want. Above all, parents will have real choice.

Mr. David Blunkett (Sheffield, Brightside): My congratulations to the Secretary of State for Education and Employment on holding and expanding her brief. After Prime Minister's questions, she will probably call for a recount.

This proposal is a con trick on children and on parents. It is an experiment in offering a paper promise without providing a single extra place in a nursery class in this country. In a single move, the Secretary of State has created a new bureaucracy—perhaps this afternoon, she will tell us how much the new quango will cost. How much will the administration of the scheme involve? Why is £545 million to be recycled from local authorities supposedly back to local authorities? We understand that the transaction costs are well over £10 million.

Does not the Secretary of State agree that such an internal market, reminiscent of what happened in the national health service, creates the same transaction costs that have bedevilled the provision of health service and will now bedevil the provision of nursery education and care for children under five? Does the right hon. Lady agree that her right hon. Friend the Prime Minister has redefined nursery education so that it no longer has to include education?

This afternoon, the right hon. Lady announced that the voucher would be available for everyone, whether in a nursery class, a reception class or voluntary or private provision. *[Interruption.]* Given that Conservative Members are shouting, "No," will the Secretary of State tell me whether vouchers will be redeemable in private day nursery provision that does not provide education on the premises, and, where it does, which part of the provision will be eligible for the subsidy? How many people will be eligible for that public subsidy who are currently not receiving state education provision?

Will the right hon. Lady confirm that 500,000 children aged four are currently in either a nursery or a pre-school place in an infants school?

The Minister of State, Department for Education and Employment (Mr. Eric Forth): A very good record.

Mr. Blunkett: A very good record, by Labour authorities across the country. Until we wiped out Tory authorities in May, children stood three times the chance of getting a nursery place in a Labour authority as in a Tory authority.

Instead of spending money directly on meeting the needs of those children who do not currently have nursery places, has not the Secretary of State capitulated to an ideological experiment in creating an artificial market that would exist only in circumstances where private providers are prepared to come forward and compete with the public sector? Is not recycling £545 million the most disgraceful way imaginable of using public money?

Will the right hon. Lady confirm what she said on 19 October last year, when she showed that she understood and agreed with the point that I have just made? I ask her to agree or disagree. She said:

"The machinery must not be allowed to overshadow the policy. We are very conscious of the unwieldy nature of vouchers."

Has she not this afternoon revealed that she has been overruled and ruled out once again in her arguments with the Prime Minister and the Cabinet Office and with the right wing of her party, who have never been in favour of nursery education and are prepared to sacrifice the education of four-year-olds on the dogma of creating a new internal market?

Does not this statement also spell the end of quality standards? Did the right hon. Lady not say—perhaps she would clarify what she meant—that she was going to "revisit" the issue of pupil-teacher ratios for nursery education with a view to diluting them? Is this not an abandonment of years of struggle to get high-quality nursery education to provide standards, achievement and opportunity for all children for the future? Does that not contrast with our clear pledge to set targets for all three-year-olds as well as four-year-olds to have properly and appropriately provided nursery education, openly and freely provided without bureaucracy?

Is this not a disgraceful day, on which the Secretary of State has capitulated to her opponents, and her credentials as an Education Secretary who cares have been desperately tarnished in her desire to placate the right wing? Is it not a disgrace that the many have been sacrificed for the few—the few who will be subsidised at the expense of everyone else?

Mrs. Shephard: I thank the hon. Gentleman for beginning with congratulations. It is unfortunate that he did not listen to a word of the statement. He was obviously concentrating on something that he had prepared earlier. In answering some of his questions, I shall begin with those on quality.

He clearly did not hear me say that I am today asking the SCAA to consult and advise on the outcomes or achievements that we should expect from three terms of pre-school education. It will publish a draft consultation document early in September, with a view to publication in December. I have asked that particular attention be given to the development of early literacy and numeracy, and other abilities—social, physical, moral, spiritual, scientific and technological. Each provider will receive an early educationally related inspection visit in order to be given permission to be registered to receive vouchers.

This afternoon, the hon. Gentleman might like to know, I have discussed those quality proposals with representatives of the teachers' unions, who are well satisfied. I am sorry that he has shown yet again that he is fixated on providers and not consumers. He has also not taken in the fact that we shall examine the way in which the whole system works in phase 1.

It is a pity that the hon. Gentleman has been so ungracious in his reception of what is a real extension of educational opportunity for all four-year-olds: an entitlement to three terms of pre-school education of good quality, with choice for parents, and with a substantial injection of new public money.

However, I know that the hon. Gentleman's attitude is time-limited. Let us not forget that he and his colleagues bitterly opposed the introduction of the national curriculum, testing for seven, 11 and 14-year-olds, the Ofsted inspection system and grant-maintained schools, only to perform U-turns on all of them, and latterly to try to claim credit for themselves.

[Mrs. Shephard]

We know that the hon. Gentleman's opposition today will melt away when he and his colleagues perceive that parents welcome this extension of choice for their children, that providers, including local authorities, will respond to the innovative challenge, and, most importantly of all, that children and their education will benefit. How long will the U-turn take to appear? Who can say—but appear it will.

Mr. James Pawsey (Rugby and Kenilworth): May I congratulate my right hon. Friend on assuming new responsibilities for learning and training. Conservative Members certainly welcome her announcement? We believe that the idea of placing in the hands of parents an additional £1,100 that they can spend on their child's pre-school education will be widely welcomed, despite the carping and ill-informed criticism by the Opposition. We look forward to April next year when the first phase will begin.

Mrs. Shephard: I thank my hon. Friend for his congratulations and for his welcome of the new policy. Parents will indeed widely welcome the new opportunity to exercise choice in respect of their children's education.

Mr. Don Foster (Bath): The Secretary of State talked about quality, but why did she say nothing about the qualifications of the people who will be responsible for delivering high-quality early years provision? Will she also confirm that the administration cost for each voucher will be about £16, and that there will be no new money for new buildings or new equipment, or for the training of the new teachers that will be required? Will she not admit that the proposal is a con trick perpetrated by the Conservative party to deliver votes for the next election, at the expense of pupils' education?

Mrs. Shephard: The hon. Gentleman raises the important question of qualifications. We shall not impose new rules at this stage, because a wide range of qualifications are currently held by those who work with the under-fives—nursery nurse qualifications, accreditation through playgroups and, importantly, a growing number of national vocational qualifications—[HON. MEMBERS: "Teachers?"]—and not forgetting teachers, either.

Level 2 and 3 child care and education NVQs will be reviewed this autumn, followed up by further work on a possible level 4. The Teacher Training Agency will have representatives on the steering group for the review, and full account will be taken of the new policy in the work on teacher training.

I am confident that a combination of inspection and parental preference will encourage high-quality provision, but it is important to note that each provider will be required to publish details of the number of staff, the qualifications they hold and the proposed activities, premises and equipment. Each provider will have to provide certain outcomes based on activities that will be defined by the SCAA, so I think that the question of qualifications can be left for the time being.

Mr. Alan Howarth (Stratford-on-Avon): Does my right hon. Friend accept that, provided we invest sufficiently and find effective means to insist on quality, her policy will prove of immense benefit to children and parents—and, in due course, to employers and the taxpayer? Will the value of the vouchers be taxable, and will it be disregarded for the purposes of income support and family credit?

Mrs. Shephard: The voucher will not be taxable.

Mr. Nigel Spearing (Newham, South): Is the Secretary of State aware that, on 19 November 1993, I presented a petition signed by more than 106,000 people asking for genuine nursery education? Does she not agree that, unless she maintains the present statutory definitions of premises and of qualifications for teachers, she will give an equal subsidy to existing genuine nursery education and to playgroups of a lesser type?

Will that not destabilise and undermine our whole nursery school provision, which has been built up over 60 years, thus prejudicing 4,000 families in Newham who now depend upon it? Does she realise that her statement did not deliver on the promise made by one of her predecessors, Baroness Thatcher, who issued a White Paper in the 1970s?

Mrs. Shephard: I do not accept the hon. Gentleman's premise. I believe, and I am certain that professionals will agree, that the safeguards put in place for quality, and what I have already said about qualifications, will certainly deliver an excellent standard of pre-school education.

Sir Alan Haselhurst (Saffron Walden): Is my right hon. Friend aware that many grant-maintained primary schools are flourishing in their new status and are seeking to expand into the field of nursery education? What impact will my right hon. Friend's statement today have on them?

Mrs. Shephard: Grant-maintained schools will have the same opportunities as LEA schools, and a grant-maintained school which does not at present cater for four-year-olds but which wants to attract voucher holders will no longer have to publish statutory proposals for a change in character to extend its age range. My hon. Friend will know that the grant-maintained sector was encouraged by the fact that we were recently able to approve eight proposals for nursery classes in grant-maintained schools.

Mr. Greville Janner (Leicester, West): May I join in the congratulations to the Secretary of State for Education and Employment? Today is my 40th wedding anniversary, and I offer her my warm personal greetings.

Should not the Secretary of State also make a statement about the abolition of the sole Department that looks after the interests of unemployed people, which is now to be absorbed—at least in part—in her Department? Is she proposing to make such a statement? If so, when? If she is not proposing to make such a statement, who will—

Madam Speaker: Order. The hon. and learned Gentleman may have been married for 40 years, but he has been in the House for many years as well, and should know that he is not questioning the Secretary of State's statement. I understand his interest in the other matter, and if he saves himself, he might be lucky enough to catch my eye on his 40th wedding anniversary and put a question to the Leader of the House. But I cannot ask the Secretary of State to respond to his questions, as they do not deal with the statement.

Mr. Janner *rose—*

Madam Speaker: I am sorry, but the hon. and learned Gentleman is quite out of order.

Mr. Graham Riddick (Colne Valley): May I congratulate my right hon. Friend on her new responsibilities, and also on introducing the voucher scheme to extend choice to parents and give new opportunities to children? Should she not pay tribute to the ideas of people on the right of the political spectrum for what she has described as a radical new departure? May I express the hope that the Government, who have enjoyed something of a renewal this week, will continue to embrace ideas from such people in future?

Mrs. Shephard: I wonder if it is my hon. Friend's wedding anniversary. I was sorry to be denied the opportunity to congratulate the hon. and learned Member for Leicester, West (Mr. Janner), who looks as if he has been celebrating his 40th wedding anniversary.

I thank my hon. Friend for his congratulations, and I am glad that he is interested in and approves of the proposals. Many groups were involved in forming the proposals, and one of our principal concerns was to make sure that this innovative approach would work smoothly and well. That is the reason for introducing the scheme in two phases. I am sure that my hon. Friend will want to be certain that the practical details, as well as the ideas underlying them, are all in order.

Mr. D. N. Campbell-Savours (Workington): Presuming that the pilot scheme is the first phase and that the cost of that first phase amounts to some 10 per cent. of the total, as the Secretary of State has said, will the total net cost to the Exchequer of the proposal until the next general election be £16 million?

Mrs. Shephard: No. We think that the general election will be further away than that. The total cost of the scheme is £730 million, taking into account the money available from LEAs. The new money available in total is £185 million, and all stages will be in place by April 1997.

Lady Olga Maitland (Sutton and Cheam): May I congratulate my right hon. Friend on her promotion, which will undoubtedly be widely welcomed by parents? Does she agree that LEAs which do not take advantage of this excellent scheme and put in a bid for it will be denying parents choice and diversity? Should not questions be asked of such LEAs, as to whether they are putting politics before children's interests?

Mrs. Shephard: I hope that many local education authorities will offer to take part in phase 1. Indeed, judging from my discussions with education professionals this afternoon, I think that many will find themselves under pressure to do so.

Mr. Edward O'Hara (Knowsley, South): Will the Secretary of State admit that this statement merely amounts to an undermining of state provision in local authorities such as Knowsley, which has shown its commitment to pre-school education by spending scarce resources and building up an excellent system in the state schools? It is not a question of considering the interests of the provider.

The scheme penalises consumers in my constituency, who will not be able to top up the £1,000. Will she come clean and admit that it is a bribe in the back pockets of disgruntled ex-Tory voters, who are already spending their money on pre-school education in the private sector?

Mrs. Shephard: No, I do not accept that. Perhaps I can reassure the hon. Gentleman by telling him that all local authorities will continue to be funded for the under-fives whom they are educating. If they continue to educate the same number, they will receive the same amount of funding. If, as a result of parental choice being exercised—I imagine that the hon. Gentleman is inimical to that at the moment—they increase the numbers being educated, the places will be funded from vouchers. This will give more opportunity and choice to his constituents—what a pity that he is condemning it in advance.

Mr. David Lidington (Aylesbury): As the father of two pre-school-age children, may I tell my right hon. Friend from the heart that her statement will be warmly welcomed by parents throughout the country? Will she confirm that, during the summer, she will consult all interested parties to ensure that any difficulties over implementation can be identified and ironed out in advance, so that, when phase 1 of the scheme comes into operation next year, it will deliver smoothly the good-quality pre-school education that she outlined to the House today?

Mrs. Shephard: The consultation starts today. In any case, the work that has resulted in this statement is based on a great deal of consultation and discussion with all the parties involved. There will be a very thorough examination of all the issues involved, and I can assure my hon. Friend that good-quality places will be available for his children when they are ready.

Ms Estelle Morris (Birmingham, Yardley): The Secretary of State will be aware that, in some areas of our country—especially on new, large estates—there are insufficient nursery places for every four-year-old. Will she be providing any new capital money to secure more places? May I be the third Opposition Member to ask how much money she has allocated for administration of the voucher scheme, and can I be the first to get an answer?

Mrs. Shephard: I have given the answer. I said that we expect the administration costs to be 1.5 per cent. of the total, but that may well be pushed downwards by competitive tender.

On capital costs, local education authorities have access to capital, we expect grant-maintained schools to have access to private finance, and other providers will be able to borrow capital for premises against the value of voucher income, or, alternatively—certainly in the setting the hon. Lady described—interesting new partnerships between local education authority and independent, LEA and playgroups and so forth might well be created. I hope that the hon. Lady, who knows a lot about these matters, will welcome the formation of such partnerships in the interests of children and their parents.

Mr. Tim Rathbone (Lewes): Does my right hon. Friend accept that anyone who is genuinely interested in expanding nursery education provision will be thankful to her and the Prime Minister for carrying this plan forward? On both sides of the House, however, there is shared

[Mr. Tim Rathbone]

concern about the quality of the educational content. I must ask my right hon. Friend for a reassurance on that matter, because of the mention in her opening statement of the availability of these vouchers for use in playschools, which do not have the educational content or the ability to deliver it.

Mrs. Shephard: My hon. Friend makes a valid point. I repeat again that today I asked the SCAA to consult and advise on the activities and outcomes that we expect providers to put in place if they are to qualify for registration under the voucher scheme.

I have to tell my hon. Friend that the Pre-School Learning Alliance, which is what the playgroup organisation is now called, is extremely enthusiastic about the educational opportunities that the new scheme offers it. For several years, it has been gearing up the educational input in what is provided in playgroups. Indeed, many places provide all-day activity with an educational content.

I am sure that the Pre-School Learning Alliance will make proposals to provide a playgroup setting with the quality education content that it will have to include if those places are to qualify to receive vouchers under the scheme. I hope that that reassures my hon. Friend.

Mr. John Fraser (Norwood): May I assure the right hon. Lady that, in my constituency, the cost of a half-day nursery place is substantially in excess of £1,100 a year? Does not her announcement therefore open up the prospect that there will be parts of the country where people can take advantage of the scheme only where they can top up, and other parts of the country, where free school places are provided, where people can take full advantage of the scheme? Will not that divisiveness get worse as the right hon. Lady withdraws money from local education authorities, leaving more people to rely on top-ups?

Mrs. Shephard: I can reassure the hon. Gentleman. There may indeed be a need to reflect in the value of the voucher regional variations in the cost of providing a place, and we shall examine that during phase 1.

Mr. Eric Pickles (Brentwood and Ongar): When my right hon. Friend prepared her statement, did she consult the "Conservative Campaign Guide"? If she did, did she notice a figure of 90 per cent., so approvingly quoted by the Leader of the Opposition? Is she aware that, until this afternoon, that figure has always been hotly disputed by the Labour party? Does she agree that what the Leader of the Labour party quotes from the "Conservative Campaign Guide" today will be the Labour party's policy tomorrow?

Mrs. Shephard: I agree with my hon. Friend. We did all notice that little inconsistency, but there is another little inconsistency—parental choice seems to be okay for some but not for others.

Mr. Alex Salmond (Banff and Buchan): The right hon. Lady says that she would never extend a voucher system into the compulsory years of education—but then she comes, to use her own words, from the "hard centre" of Tory politics. What about Scotland and Wales, which were tossed aside as consolation prizes to the right wing in the Prime Minister's reshuffle? Can the right hon. Lady guarantee that the new Secretary of State for Scotland will not extend the voucher scheme into the compulsory years of education, as that is one of the many barmpot ideas that he has espoused in the not-so-distant past?

Mrs. Shephard: What a customarily gracious contribution from the hon. Gentleman. I am sure that he will be interested in what is planned for Scotland.

My right hon. Friend the Secretary of State is setting in motion immediately discussions with providers in the voluntary, private and public sectors about how best a voucher scheme might work in Scotland. His aim is to put in place arrangements that meet the distinctive needs and circumstances of Scotland's education system and to make a further announcement in the autumn.

Mr. Harry Greenway (Ealing, North): May I join in the congratulations to my right hon. Friend on that admirable achievement? [HON. MEMBERS: "What achievement?"] Achieving the scheme. Will she accept from me that vouchers will give parents maximum opportunity to choose, and that education that is chosen by parents is the most effective, because they are behind the children wherever they take them or send them?

On costs, bearing in mind what my right hon. Friend has said about the possibility of nursery education costing much less to provide in, say, deepest Scotland or deepest Wales, than it does in Ealing or other parts of London, will the voucher that she provides start at £1,100 and be topped up, or will it be less than £1,100 in regions where nursery education is much cheaper than it is in London? May we have an answer for guidance for my constituents?

Mrs. Shephard: I am glad that my hon. Friend welcomes the extension of parental choice. I repeat what I said to Opposition Members: that, because of regional differences in costs, we may need to look at a regional variation in the value of the voucher. We shall examine that matter in phase 1. I hope that that reply reassures my hon. Friend.

Mr. John McWilliam (Blaydon): Does the Secretary of State accept that there is now some confusion over her figures? She said that the cost will be about 1.5 per cent. Is that a percentage of the £730 million, which works out at about £100 million? [HON. MEMBERS: "What?"] I am sorry—about £1.5 million. It is obvious that, given the number of figures that the Secretary of State has thrown around, it is difficult to get a grip on them.

Let us use some accurate figures. The right hon. Lady said that, of the £730 million, £165 million is new money. That is to be welcomed. However, that leaves £565 million. At the last count, two thirds of the money being spent was spent by Labour local authorities. Is that sum to be redistributed among all local authorities? If so, how can she assert that the net result in excellent councils like Gateshead, which makes good provision, will not be a reduction in the overall real money available for pre-school education?

Mrs. Shephard: I thought that I had already reassured hon. Members about the position of local authorities that currently provide pre-school education. They will not lose money, and may well gain it, if, as a result of parental choice, parents choose a place in an LEA setting. The figures are simple: £545 million is currently with LEAs;

£165 million will be new money for places; and £20 million will be for inspection and a little bit of administration. I suggest that the hon. Gentleman goes away and learns about percentages.

Mr. Richard Tracey (Surbiton): I applaud my right hon. Friend on this cost-efficient-sounding initiative. Does she agree with many people that there is even more scope for improvement in primary education? Will she underline her guarantee that no resources will be lost to primary education as a result of this initiative, and will she fight the Treasury for even more resources for that area?

Mrs. Shephard: I assure my hon. Friend that the sums that I spoke of are new money for this initiative. He will agree that good-quality pre-school education makes a good contribution to primary education.

Mr. Roy Beggs (Antrim, East): I congratulate the Secretary of State, and welcome today's announcement of her commitment to provide nursery education for all four-year-olds throughout the United Kingdom, although I regret that we in Northern Ireland will have to wait for another year.

When discussing provision in Northern Ireland with the Secretary of State for Northern Ireland, will she draw his attention to the fact that the main provision in Northern Ireland is state provision, and that, for all four-year-olds to benefit equally, he would need to look at the possibility of providing capital funding to area boards to ensure that there was inclusive provision for all four-year-olds?

Mrs. Shephard: As the hon. Gentleman will be aware, my right hon. and learned Friend the Secretary of State for Northern Ireland will bring forward proposals in due course. Of course, I shall draw the hon. Gentleman's concern to his attention.

Mr. Anthony Coombs (Wyre Forest): I warmly welcome what I am sure will be an increase in nursery education, which is presumably why the Opposition so vehemently oppose it. Does my right hon. Friend agree that the principal benefit of competition is that it is likely to ratchet up standards in both the private and public sectors? Will she ensure that the system of inspection that she puts into place ensures that that happens?

Mrs. Shephard: Yes. The purpose of ensuring that everything is inspected before registration is granted is precisely to ensure high-quality provision. High quality is the key. We are spending a lot of money, and we must have good educational provision in return.

Mr. Harry Barnes (Derbyshire, North-East): Will the £565 million to be taken away from local authorities come back to all local authorities for use, or will it go into a general pot for wide distribution in other areas? According to the Audit Commission's performance indicators for Derbyshire, for instance, 78 per cent. of three and four-year-olds are provided with nursery education. Will Derbyshire be in the same position to make that provision while being topped up from the voucher system? I doubt it.

Mrs. Shephard: I repeat to the hon. Gentleman that all local authorities will continue to be funded for the children under five whom they are educating. If they continue to educate the same number as at present, they will receive the same amount of funding as they do now. Four-year-olds will be subject, of course, to the voucher system, and it will be up to LEAs whether they feel that they can afford, or wish, to continue to provide education for three-year-olds.

Mr. Patrick Nicholls (Teignbridge): I congratulate my right hon. Friend on this most excellent statement. Does she agree that the public can draw two conclusions from today's exchanges? First, if people really want choice and diversity in education, this policy shows that the Government will deliver them. Secondly, if they think that new Labour would develop them, they could do worse than look at the way that the Labour Front-Bench spokesman contemptuously dismissed people's hopes and aspirations for nursery education for their children as nothing more than "pandering to an artificial market."

Mrs. Shephard: My hon. Friend puts the point well and strongly, as is his custom. I think that it will seem to the general public that extra new money totalling £185 million, and a total of some £730 million in all, is generous funding for this initiative. I believe that they will be delighted at the fact that spending power and choice are in the hands of parents, where they should be. I imagine that, in due course, and probably sooner rather than later, we shall see the normal U-turn by the Opposition parties.

Mr. Michael Connarty (Falkirk, East): On my calculations, £165 million has been made available for new provision for England and Wales. There should be, pro rata, £16.5 million available this year for nursery education in Scotland. While the consultation goes on, is the Secretary of State aware that, in Scotland, 95.4 per cent. of children are educated in schools run by local education authorities on the comprehensive system?

The last time that we were consulted, on water, 95 per cent. of people who replied rejected the proposals. If the Scottish people reject these proposals, will the Cabinet accept that the extra money for pre-school children should go to local education authority establishments in Scotland?

Mrs. Shephard: I am sure that the hon. Gentleman could not begin to be implying that Scottish parents should not have the same choices available to them as English parents have. If he is, all I can say is, good luck when he gets back to Scotland.

My right hon. Friend the Secretary of State for Scotland, as I made clear earlier, is setting in motion discussions with providers in the voluntary, private and public sectors about how best a voucher scheme might work in Scotland. It is clear that the hon. Gentleman does not want Scottish parents to have choice. I know that my right hon. Friend will wish them to have choice.

Mr. David Tredinnick (Bosworth): May I, too, congratulate my right hon. Friend on her extended responsibilities, and ask her to share in my happiness, as tomorrow will be my 12th wedding anniversary? She referred in her statement to the partnership between public and private sectors being very important, and the way that she hoped it would expand the number of places available. Does she have any specific initiatives in mind?

Mrs. Shephard: We seem to be having a lot of anniversaries and disclosures from all over the House. I note that my hon. Friend is not decorated for his wedding anniversary as the hon. and learned Member for Leicester, West (Mr. Janner) is for his.

[Mrs. Shephard]

I expect interesting and innovative ideas for partnerships to develop out of the proposals that are put up for phase 1 of this scheme. I know from the discussions that I have already had that they will be of a kind to please my hon. Friend.

Dr. Lynne Jones (Birmingham, Selly Oak): May I, as the parent of two children only one of whom had the benefit of nursery education, say that there is every difference between that and a place in a playgroup, the value of which, I acknowledge, was useful for one of my children? What consultations have taken place with parents and parents' representatives to ask them which they would prefer: this bureaucratic voucher scheme or simply more places in their local nursery schools, and nursery classes in local primary schools?

Mrs. Shephard: The hon. Lady will have heard, although not perhaps have absorbed, the points I have made about quality assurance in all this. My hon. Friend the Minister of State spoke to Margaret Morrissey of the National Council of Parent-Teacher Associations this morning, and she warmly welcomed the initiative.

Mr. Nick Hawkins (Blackpool, South): In joining in the congratulations to my right hon. Friend on her wider responsibilities, may I say that, as someone who campaigned for the expansion of nursery education for many years before coming into the House, I especially welcome her announcement today?

Will my right hon. Friend pay tribute to the moves that the Pre-School Learning Alliance has made to introduce more educational content into its work? Will she commend the fact that many constituencies, of which mine is but one, already have a wide choice in the private sector, with private playgroups and private nursery schools? All those will benefit, and the parents and children will benefit most, from my right hon. Friend's welcome announcement today.

Mrs. Shephard: I welcome the fact that my hon. Friend has drawn attention to the diversity in pre-school provision that exists in many areas of England. That is a diversity we welcome, and wish to enhance by means of my announcement today. I join my hon. Friend in congratulating the Pre-School Learning Alliance on the magnificent contribution to early years learning and experience it has made for many decades. I hope that it will want to contribute to this initiative in its own inimitable way.

Mr. Hugh Bayley (York): Will private nursery schools be able to pick and choose the children they admit? If so, how can parents have equal choice in terms of where their children will go? Has the Secretary of State considered the possibility that there may develop an illicit trade in vouchers, whereby poorer parents sell their vouchers to others, who can then buy full-time rather than part-time nursery education? What does the Secretary of State intend to do to prevent the children of the poor from being yet more disadvantaged than they are already?

Mrs. Shephard: We envisage an audit system to combat fraud.

Mr. Peter Luff (Worcester): Given that I expect there to be a great deal of competition for phase 1 of the scheme, and bearing in mind Hereford and Worcester's relatively low level of education expenditure—and, indeed, of children of four years of age enjoying pre-school education at present—will my right hon. Friend give me an assurance that, should she receive a bid from the county council for phase 1 of the scheme, she will look at it with the utmost possible sympathy?

Mrs. Shephard: I hope that there will be a lot of competition for phase 1. Hereford and Worcester represents an interesting mix of urban and rural areas, and we shall want to have a representative group in the first phase. I should say to Hereford and Worcester, "Hurry along."

Ms Glenda Jackson (Hampstead and Highgate): As there are thousands of families who cannot and will never be able to top up the voucher system, will the Secretary of State give an assurance that their local authorities will not suffer if families who can afford to top up choose to place their children in alternative nursery education? Will she give an assurance that local authorities will not suffer either a reduction in funding or a lowering of standards and services?

Mrs. Shephard: I can give the hon. Lady an unequivocal assurance on that point. There will be no need for LEAs to suffer; they will continue to receive funding as they do now.

Mr. John Gunnell (Morley and Leeds, South): The right hon. Lady has given a number of guarantees that local authorities will not lose through the scheme. Do those guarantees extend to the administrative costs, which will almost certainly fall on local authorities, in addition to the costs about which she has already spoken? Will the right hon. Lady guarantee that the same arrangement will be available for local authority social services day nurseries?

Mrs. Shephard: I will give an assurance that there need be no extra costs for LEAs as a result of my announcement. On the hon. Gentleman's point about day nurseries, an important distinction is involved. What we are talking about here is educational provision. If day nurseries wanted to become providers of education, they would have to satisfy the conditions for activities and outcomes, laid down by the SCAA after consultation, as purely educational settings.

I would have no objection to that being the case, provided that the conditions of quality, outcomes and activities were met in full. In some cases, it may be convenient for parents to have education provided in a setting that also has day care. The point of these provisions, however, is education.

Ms Margaret Hodge (Barking): Will the Secretary of State give an assurance, because Opposition Members are rather muddled on this, that local authorities will not have their grant cut as money is transferred from the grant to fund the voucher scheme? Will her current proposals do anything to ensure nursery provision in, for example, the London borough of Bromley, which has no local authority-provided nursery places in schools or classes?

If the right hon. Lady is interested in quality, why has she not used money more effectively to restore some of the grant for education and training funding that has been cut for people working in early years? Will she give an

undertaking to reintroduce better quality, including child development, for people who are undergoing teacher training, and ensure that we have more qualified nursery teachers?

Mrs. Shephard: As I have said many times, all local authorities will continue to be funded for the under-five children they are educating. If they continue to educate the same number as at present, they will receive the same amount of funding as they do now.

As for the London borough of Bromley, it would be up to it to provide education that was attractive to the holders of vouchers. That is entirely a matter for it.

On grant for education support and training funding, the hon. Lady should understand that I take very seriously the whole question of quality in education. She might be aware that we recently launched an initiative on improving schools. The important thing is that the activities and outcomes are inspected, as they will be, and that the quality is kept right up to the mark for this new pre-school provision.

Mr. George Mudie (Leeds, East): I knew that I would be last, as my wedding anniversary is not until September.

Will the Secretary of State confirm that, in the first financial year in which the scheme operates, only 10 per cent. of the 150,000 children will be covered, at a new cost of £16.5 million, but that in the next financial year—the one that follows the general election—the full cost of £165 million will take effect? Will she reassure the House that that is not the first pre-election spending promise?

On a more serious point, however, why does the right hon. Lady regard it as a triumph to cover only 10 per cent. before the election? Why could she not have got more money to ensure better phasing than 10 per cent. of the children one year and 100 per cent. the next?

Mrs. Shephard: I think that the hon. Gentleman is missing the point a bit, but I will excuse him, given that it is not his wedding anniversary.

The 10 per cent. the hon. Gentlemen mentioned, whom we aim to cover with phase 1, will be piloting and testing the arrangements, ensuring that the practical arrangements are in place. It is a question of viability and efficiency, and getting the whole thing effectively into place. That is the point. Equally, the point is that this represents a huge investment of public money in the education of that age group. I hope that the hon. Gentleman, wedding anniversary or not, will find it in him to welcome it.

Mr. Blunkett: I have three points of clarification for the Secretary of State. First, in her statement, she used the figure of £165 million, but in the press release it is £185 million. She has used the two figures interchangeably this afternoon.

Secondly, my hon. Friend the Member for Blaydon (Mr. McWilliam) raised an issue that requires clarification—if four-year-olds are to be safeguarded, in terms of local authority spending not being withdrawn from those who have nursery places, is that not the case also for the 42 per cent. of three-year-olds who currently have a local authority nursery place? This is a crucial issue in terms of whether three-year-olds are to have their provision withdrawn at the expense of maintaining or expanding the provision for four-year-olds.

Thirdly, will the Secretary of State confirm that choice exists only where supply exceeds demand, and that the least new money will be directed to those areas which have the greatest provision? Is it not therefore a fact that the scheme and the vouchers fail to provide new choice, because, where choice was possible as a result of supply exceeding demand, those resources will not be available?

Mrs. Shephard: I can clarify the matter for the hon. Gentleman. The figures to which he refers are as follows: £165 million for the new places, plus £20 million, making a total of £185 million. The £20 million is for inspection costs and a little for administration. As I have made perfectly clear, the scheme is to cover four-year-olds. The position of three-year-olds will continue to be a matter for the individual choice of local education authorities.

The hon. Gentleman has demonstrated yet again that he and his party simply do not understand the purpose of choice in this respect. He does not understand, as he has made clear again, that choice will stimulate supply.

Business of the House

4.31 pm

The Lord President of the Council and Leader of the House of Commons (Mr. Tony Newton): The business for next week will be as follows:

MONDAY 10 JULY—Opposition day (16th allotted day). There will be a debate entitled "Social Division and Economic Inefficiency" on an Opposition motion.

Motion on the Local Government Act 1988 (Competition) (Defined Activities) Order.

Motion on the Legal Advice and Assistance (Scope) (Amendment) Regulations.

TUESDAY 11 JULY—Opposition day (17th allotted day). Until about 7 o'clock, there will be a debate on the rail network, followed by a debate on out-of-hours patient care. Both debates will arise on motions in the name of the Liberal Democrats.

Motion on the Church of England (Miscellaneous Provisions) Measure.

WEDNESDAY 12 JULY—Until 2.30 pm, there will be debates on the motion for the Adjournment of the House.

Debate on the economy on a Government motion.

THURSDAY 13 JULY—Estimates day (3rd allotted day). Debate on social security expenditure. Followed by a debate on the Ministry of Agriculture, Fisheries and Food's operational expenditure and departmental administration and agencies, in so far as they relate to the prevention and control of animal diseases and import health controls on animals. Details will be given in the *Official Report*.

At 10 o'clock the House will be asked to agree all outstanding estimates.

FRIDAY 14 JULY—Private Members' Bills.

The House will also wish to know that European Standing Committee B will meet at 10.30 am on Wednesday 12 July to consider European Community document No. Com (95) 300 relating to the preliminary draft budget of the European Community for 1996.

MONDAY 17 JULY—Proceedings on the Appropriation (No. 1) Bill.

Consideration of Lords amendment to the Licensing (Sunday Hours) Bill.

Consideration of Lords amendments which may be received to the Child Support Bill.

Consideration of Lords amendments to the Criminal Appeal Bill.

Motion on the Local Government Elections (Changes to the Franchise and Qualification of Members) Regulations.

Motions relating to the Housing Benefit (General) Amendment Regulations and the Social Security (Income Support and Claims and Payments) Amendment Regulations.

The House may also be asked to consider any Lords messages which may be received.

I am not at present able to give details of the business later that week, although I reaffirm that there will be business later that week.

[Wednesday 12 July:

European Standing Committee B—Relevant European Community document: COM (95) 300, 1996 budget. Relevant reports of the European Legislation Committee: HC 70-xix (1994-95).

Thursday 13 July:

Estimates day—Relevant reports: (i) in respect of the first group of estimates: Third Report from the Social Security Committee, Session 1994-95, HC 132 ("Review of Expenditure on Social Security"); (ii) in respect of the second group of estimates: Fifth Report from the Agriculture Committee, Session 1994-95, HC 347-I ("Health Controls on the Importation of Live Animals").]

Mrs. Ann Taylor (Dewsbury): I thank the Leader of the House for that statement. Will he confirm that there are still three Opposition days left in the pipeline, even after the two which are to be used next week? That is not counting the half day that I understand is owed to the Opposition deputy Chief Whip.

Will the Leader of the House tell us whether, as a consequence of the changes and events of the past few days, there will be a statement to the House on the Prime Minister's decision to demote science, engineering and technology and abolish the Office of Public Service and Science? What will be the implications for the Select Committee on Science and Technology? Will the Leader of the House also tell us what he proposes to do not only about that Select Committee but about the Select Committee on Employment? In addition, what will happen at Employment questions which are scheduled for next Tuesday?

With regard to business before the recess, will the Leader of the House guarantee that he will find time for a debate and for votes on the issues to be covered in the report due out tomorrow from the Select Committee on Standards in Public Life?

Is the Leader of the House aware that there are at least three on-going inquiries into serious allegations of electoral registration fraud—and I am not talking about the Tory leadership question. They are serious matters. Many of us have long been worried about the inadequacies of our system of electoral registration, with many people at each election not being entitled to vote. May we have an early debate on the changes necessary to ensure that those who are entitled to a vote can do so, but also to ensure that those who are not entitled to vote do not do so?

We have just had a statement from the Secretary of State for Education and Employment on her proposals, such as she knows them at this stage, for vouchers for nursery education for four-year-olds. The right hon. Lady made a statement full of confusion and lacking in clarity—so much so that she had to promise that details would be available in the autumn. Will the Leader of the House therefore guarantee that there will be a debate on those proposals in the autumn in Government time so that parents can see clearly the con trick that is being proposed and contrast that with Labour's proposals for quality nursery education for every three and four-year-old whose parents want it?

Finally, I draw the attention of the Leader to the House to early-day motion 1223 in the name of my right hon. Friend the Member for Manchester, Wythenshawe (Mr. Morris).

[That this House notes the Top Salaries Review Body's recommendation of 1991, as endorsed by the Senior Salaries Review Body in 1995, that the existing accrual rate of fiftieths should be applied to all service for sitting honourable Members in respect of their future pension entitlement; and calls for speedy implementation of the Review Body's recommendation.]

That is an unusual early-day motion in that it has attracted 353 signatures. I hope that the Leader of the House is aware of the widespread concern on both sides of the House and that he personally has some responsibility and some power to make progress on that matter.

Mr. Newton: As I sometimes do, I shall take that rather long list of questions, to a degree at least, in reverse order.

First, with regard to the subject matter of early-day motion 1223, in which the right hon. Member for Manchester, Wythenshawe (Mr. Morris) has a particular interest as chairman of the parliamentary pension fund, as he knows, I have made it clear that I will seek to bring that matter to the House for debate, although obviously once again this week I cannot give a date in this week's business statement.

With regard to vouchers, I reject the language that the hon. Lady used which I thought was a mixture of over-statement and mis-statement. Naturally enough, if part of the purpose of my right hon. Friend the Secretary of State for Education and Employment is to listen to people's views in working up the details, it is appropriate—I know that this is perhaps an unfamiliar proposition for those on the Opposition Benches—to listen to the views before deciding on the details. Of course I shall consider whether a debate will be appropriate at the appropriate time.

I shall bring the hon. Lady's questions on electoral registration to the attention of my right hon. and learned Friend the Home Secretary. However, I draw attention to the fact that the business that I announced for Monday 17 July included a motion, I accept in relation to local government elections, which referred to the franchise for those elections, so it is just possible that some of those points might be in order there.

With regard to any report from the Select Committee on the Nolan recommendations, I made it clear when the Committee was set up that one of the objectives of seeking a report from it by 7 July was to enable an appropriate debate to take place should that be required in the light of the report.

I come now to the mix of questions that the hon. Lady asked about the recent Government changes both in the machinery and in the personnel. First, our intention is that the Ministers responsible will be at the Dispatch Box to answer all the questions tabled to the Secretary of State for Employment for next Tuesday. As I understand that no questions have been tabled on health and safety matters, Ministers with employment responsibilities from what is now the Department for Education and Employment and Ministers from the Department of Trade and Industry will answer questions on other appropriate matters.

We shall of course seek to make full details on some of the other questions that the hon. Lady asked available to the House in a proper fashion at the earliest opportunity. As for her question about Select Committees, she will know that the proper course is for us to consult the Chairman of the Liaison Committee and others concerned before presenting any alterations to the House, in the light of the changes in the machinery of government that were announced yesterday.

The hon. Lady almost underplayed her hand on Opposition days. There are three left, and, as she said, a half day is owed to the Opposition deputy Chief Whip as a result of some delicate usual-channels negotiation earlier in the year. As always, we are mindful of the need to repay our debts to the Opposition deputy Chief Whip.

Mrs. Ann Winterton (Congleton): Following letters that I wrote earlier today to the Attorney-General, the Minister for Local Government, Housing and Urban Regeneration and the Audit Commission, will my right hon. Friend, as a matter of urgency, arrange a debate on probity in local government, to allow a full investigation of the concerns rightly raised by the former chief executive of Congleton borough council relating to financial irregularities and procedural abuses and cover-ups on that council? The truth could then be revealed, and the currently serving members and officers of the council who are implicated could either face appropriate criminal charges or be cleared of such charges.

Mr. Newton: My hon. Friend will understand that, having not had the benefit of seeing the correspondence, I am cautious about commenting. As for the debate for which she asks, much as I might like to, I do not think that I can undertake to provide time. She may, however, wish to consider the opportunity that will be provided by the three-hour debate before the Adjournment which I expect to take place on Wednesday 19 July.

Mr. Archy Kirkwood (Roxburgh and Berwickshire): May I pursue the question of arrangements for Employment questions on Tuesday 11 July? Do the Government intend to abolish Employment questions after that date, and are there any plans to provide a Dispatch Box questions slot for the Deputy Prime Minister under the new arrangements?

Finally, will the Leader of the House confirm that the Government have suggested to the Liaison Committee that the Select Committee on Employment should be abolished, and did their consultations lead to the conclusion that a motion must be passed on the Floor of the House before any such action can be taken?

Mr. Newton: The answer to the hon. Gentleman's final question is yes, of course. As it happens, I held my present responsibilities when the same question arose in relation to the former Select Committee on Energy soon after the election. I am therefore well aware that, were such a proposal made, it would have to be put to the House.

As for the hon. Gentleman's more general questions about arrangements for parliamentary questions, my present feeling is that the sensible course would be to maintain the current rota until the end of this bit of the term, as it were, and then consider revised arrangements reflecting the new position for the next Session. I include in that whatever might be appropriate arrangements for the First Secretary of State.

Sir John Cope (Northavon): As the time for consultation on the Latham report on construction contracts has now been completed, will my right hon. Friend tell me whether we are likely—preferably next week—to hear something about what the Government will

[Sir John Cope]

do in response to the Latham recommendations and the consultation that has taken place? Will he also tell my right hon. Friend who is responsible for such matters that many of us hope that the whole Latham package will be introduced, particularly the aspects that the Government and the House must implement?

Mr. Newton: I have before me the usual carefully worded formulation, which I shall not read out again. I remind my right hon. Friend, however, that I have repeatedly made what I would describe as sympathetic and friendly noises about the proposals. He can take this as another sympathetic and friendly noise.

Mr. Alfred Morris (Manchester, Wythenshawe): As the Leader of the House said, I chair the managing trustees of the parliamentary contributory pension fund. Further to the right hon. Gentleman's reply to my hon. Friend the Member for Dewsbury (Mrs. Taylor) may we at least be assured that the Top Salaries Review Body's recommendations will be debated by the House before the summer recess? He will be aware, as I am, of the enormous pressure on the trustees to secure a debate—pressure that comes from hon. Members on both sides of the House.

Mr. Newton: I have told the right hon. Gentleman before, both publicly and privately, that that is my aim, and it remains my aim.

Mr. Jacques Arnold (Gravesham): May we have a debate next week on Britain's relations with Latin America? As my right hon. Friend will recall, we have had such debates for seven successive years using the mechanism of the Consolidated Fund debates that lasted all night. They were noted with considerable interest by Latin American ambassadors in London, and media and political circles throughout Latin America.

The only avenue available to us now is a one-and-a-half-hour Wednesday morning slot. We attempted that earlier in the year, without success. Can something be done about the mechanics in the future, so that a non-party political subject can be addressed with the seriousness that it requires, and could the Government this year find us one and a half hours in which to address it?

Mr. Newton: I cannot make a promise on the latter point. Indeed, I cannot make a promise on your behalf, Madam Speaker, that you will look more favourably on future Wednesday morning applications—although I am sure that you will always listen sympathetically to my hon. Friend.

Mr. Greville Janner (Leicester, West): When can the House expect a statement on the blazing scandal of the abolition of the Department of Employment? The hon. Member for Gravesham (Mr. Arnold) may laugh, but it is no joke to millions of unemployed people, and still less of one to those employed by the Department. Surely we must have a statement.

Can the Leader of the House confirm that the Greenbury committee is due to report on 17 July? If so, will he assure the House that there will be a debate on the report before the House rises?

Mr. Newton: The publication date of the Greenbury report is a matter for the Greenbury committee, not for me; but I have heard suggestions that it will appear in mid-July. Obviously, any question of a debate can be considered only in relation to that.

I reject the hon. and learned Gentleman's earlier suggestions out of hand, although I understand why, as Chairman of the Select Committee on Employment, he feels it necessary to make them. In my view, the recognition that education and training in the current world of employment should be brought together and examined on a basis that stretches right across people's working life constitutes a sensible acceptance of the realities.

Mr. Charles Hendry (High Peak): I welcome my right hon. Friend's announcement that European Standing Committee B will meet next Wednesday to discuss a preliminary draft budget for the European Commission for 1996. Can he confirm that the debate will be open to any hon. Member, rather than being restricted to members of the Committee?

Mr. Newton: Yes, of course. Debates in European Standing Committees are accessible to all hon. Members. Indeed, I understand that hon. Members on both sides of the House have suggested that the purposes of scrutiny may be better served by debate in a Committee, where they have an opportunity to question Ministers in detail.

Mr. Donald Anderson (Swansea, East): The Leader of the House should be aware of the deep unease in the science community about the apparent downgrading of science in the recent reshuffle. Will he give the House a commitment that hon. Members will have the same opportunities as they have now to table oral questions to the Cabinet Minister responsible for science, and that there will be a rota similar to the one that we enjoy at present?

Mr. Newton: Let me tell the hon. Gentleman—perhaps in a quieter tone, but in rather the same way as I resisted the suggestions of the hon. and learned Member for Leicester, West (Mr. Janner)—that I entirely reject the idea that any downgrading is implied by the change that has been made. On the contrary, I think that that change recognises the importance of science, not least to the industrial life and future of the country, by relating it to the Department of Trade and Industry.

I am more than happy to consider the hon. Gentleman's point about questions, or to arrange for it to be considered, in the wider context of my earlier answer.

Mr. Gerald Bermingham (St. Helens, South): Will the Leader of the House find time in the spill-over period, because there seem to be plenty of days available then for debate, and it could stretch for several weeks if need be, to have a debate in Government time on the housing market? He will no doubt have noticed the report of the National and Provincial building society, followed by that of the Halifax building society, which showed that, this month, for the fourth month, house values had fallen by 2 per cent. Negative equities are therefore rising. As many people own their houses and many young couples need a home in this land, might it not be a useful use of parliamentary time to discuss that matter in some depth?

Mr. Newton: I simply make the point that house-building starts for the whole of last year were 13 per cent. higher than in the previous year. The position is

that the affordability of housing is reflected by the fact that house prices are now the lowest in relation to income since 1985.

Mr. Nigel Spearing (Newham, South): On the demise of the Department of Employment, will the Leader of the House confirm that at least a negative statutory instrument must be tabled for a transfer of functions?

On the education statement that we have just heard, despite the notice in the Lobby that says "statement on nursery education", does not that statement, at best, threaten the whole future of nursery education in that there will be three forms of education in relation to finance and structure for three-year-olds, four-year-olds and five-year-olds? Will it not also destabilise training of four years for nursery school teachers and their assistants, and devalue the whole structure that has built up?

Mr. Newton: Of course there will be diversity and choice; that is part of the intention of the exercise. What is clear and was clear at Prime Minister's questions is that the Labour party and the Liberal Democrats do not like diversity and choice and we are in the business of providing it.

Mrs. Margaret Ewing (Moray): Would it be possible for the Leader of the House to arrange for a statement to be made, if not tomorrow, certainly next week, in connection with the reports in *The Guardian* today in advance of the "True Stories: Deadly Experiments" programme, which is to be shown this evening on Channel 4 and which relates to possibility that women, especially pregnant women, were used as guinea pigs with radiation during the 1950s and 1960s? In view of the distress that that has caused, not least in my region, where 91 women were apparently involved, it is important that the Government make clear exactly what happened, and allay other fears that people may have as a result that programme.

Mr. Newton: Depending on what actually appears in the programme tonight, I am sure that my right hon. Friend with relevant responsibilities would want to consider carefully any such suggestion.

Mr. Andrew Mackinlay (Thurrock): When does the Leader of the House intend to move the Statute Law (Repeals) Bill, which was on the Order Paper yesterday and was not moved? Why was courtesy not extended to myself, who had tabled amendments to the Bill, and to my hon. Friend the Member for Swansea, East (Mr. Anderson), who was sitting on the Opposition Front Bench? We were not told that it was not going to be moved. I understand that the Opposition Whips were also not so advised. A simple courtesy should have been extended to us to inform us that that was the intention last night. In any event, when will the right hon. Gentleman get around to arranging for hon. Members to discuss that important, albeit complicated measure?

Mr. Newton: It is well known that the usual channels always move in mysterious ways, and I will see if I can elucidate that mystery.

Mr. Max Madden (Bradford, West): First, will the Deputy Prime Minister and the First Secretary of State be speaking on behalf of the Government in any of next week's debates? Secondly, will he be deputising for the Prime Minister at Prime Minister's questions when the Prime Minister is absent? Lastly, will arrangements be made urgently to outline the Deputy Prime Minister's responsibilities so that we can address parliamentary questions to him?

Mr. Newton: On the three questions, I do not immediately see any debate that I have announced that would be likely to involve the participation of the First Secretary. Secondly, I would naturally anticipate that the First Secretary, as Deputy Prime Minister, would deputise for the Prime Minister. Thirdly, the First Secretary's responsibilities were outlined in a note on the press release yesterday.

Mr. George Stevenson (Stoke-on-Trent, South): In view of the statement by the drinking water inspectorate that the households of some 10 million people receive drinking water with lead levels that could cause brain damage to two-year-olds, which shows that nothing has really changed under this Government, will the Leader of the House arrange for the relevant Secretary of State at least to make a statement as soon as possible on that alarming report?

Mr. Newton: I will certainly bring that question to the attention of my right hon. Friend the Secretary of State for the Environment.

Mr. Edward O'Hara (Knowsley, South): May I support the request of my hon. Friend the Member for St. Helens, South (Mr. Bermingham) for an urgent debate on the crisis in the housing market? I do not recognise the buoyant picture presented by the Leader of the House. According to the Department of Employment's own latest quarterly statistics, there is a 14 per cent. decline in private starts, a 31 per cent. decline in housing association starts in the past six months, a 15 per cent. fall in new applications, and a corresponding decline in the building merchants supplies trade. It is a picture of no change in housing depression under this Government, no chance for people in negative equity, no chance for people who want a house to rent, and no chance for people involved in the construction and building merchants industries. Cannot the House at least be given a chance to discuss urgently that crisis in the housing market?

Mr. Newton: I cannot add to what I said earlier, but I would draw attention to the fact that what the hon. Gentleman is saying, even though I do not accept the implication of his comments, would appear to be in order during the debate on the economy next week. That is, however, a matter for the occupant of the Chair.

Mr. Paul Flynn (Newport, West): May we have a debate to discuss the corruption of our democratic system? In one country in these isles, the Conservative party can gain only 4 per cent. of the councillors in the last local government election, and only 4 per cent. of the vote in the Islwyn by-election, yet it rules Wales—the other 96 per cent. Why have the Government the cheek to appoint another Secretary of State for Wales, another Governor-General, who is alien to the people of Wales, who owes Wales no loyalty, and who has little understanding and little knowledge of that country? Is that not a slur on the few Tory Members representing Wales, who have been overlooked for the past eight years? Is not the appointment of the new Governor-General a calculated and contemptuous insult to the people of Wales?

Mr. Newton: No.

Mr. Harry Barnes (Derbyshire, North-East): As we have had success already with early-day motion 1223, will the Leader of the House consider early-day motion 1233?

[*That this House warmly welcomes the publication, by the University of Sheffield and Rotherham Metropolitan Borough, of a new study, Confronting Industrial Demise: the Employment and Unemployment Experiences of Miners and their Families in South Yorkshire and North East Derbyshire; recognises that the survey's context is the dramatic and unprecedented dismantling of a major industry with severe implications for employment and communities in already economically deprived areas; welcomes the key conclusion of this authoritative survey that the key to successful re-employment is education; urges serious consideration of its policy recommendations for responding to major redundancies and mass unemployment, including the granting of equal status to education and training, the transformation of the current training for work scheme into an education and training for work scheme, with the same benefits, that the provision by the Further Education Funding Council of financial support for the unwaged and their dependants should also be provided by the Higher Education Funding Council, the establishment of a national fund for small grants for learning materials in support of an education and training for work scheme, collaboration between labour market adjustment services in order to improve delivery and reduce wasteful duplication and the decentralisation of these services to community level in order to focus on and be within the reach of the most acutely affected families; and welcomes the launch of this important document on 14th June in the Palace of Westminster.*]

That is about confronting industrial demise and deals with a study undertaken by Sheffield university in association with Rotherham metropolitan council on what happened to miners when they were made redundant. It discovers that there is a link between education and re-employment. It might therefore be useful for us to discuss a matter that actually covers the responsibility of the new Department for Education and Employment. That report might be one of the few matters where those interests link so directly.

Mr. Newton: The report will be read with care. I am grateful, which is relatively unusual for me in relation to the hon. Gentleman, because his point, as he implied, underpins my argument about the importance of the links between education and employment, especially in respect of training, which does not appear to have penetrated to the hon. and learned Member for Leicester, West, who is sitting behind him. Perhaps the hon. Gentleman might turn around and have a word with him.

Ms Glenda Jackson (Hampstead and Highgate): The Leader of the House will be aware of the unanimous report published this week by the Select Committee on Social Security condemning as massively unfair the compensation recovery unit and calling for a root and branch examination of its procedures. As that has impacted on more than one occasion on my constituents, who have endured, in many instances, lengthy legal struggles before they were awarded damages for injury and illness, only to be bemused at the compensation recovery unit dividing those benefits in many instances by more than half, would it be possible to have a debate? My constituents' concern is that, in this matter, the Government seem to be acting for the benefit of not the electorate, but the insurance companies.

Mr. Newton: I should perhaps make it clear that I do not think that anyone would seriously argue that the state should duplicate compensation awards and the Select Committee made it clear that it does not support that view. Beyond that, the Select Committee has raised some points which need consideration, and they will be given that consideration.

Mr. Andrew Miller (Ellesmere Port and Neston): May I press the Leader of the House a little further about the Office of Public Service and Science? Will he consider urgently providing time for a debate, particularly so that we can examine the future of the foresight programme and the "forward look" exercise? Those are important exercises that have been well received on both sides of the House and by the science community. The science community will demand an early explanation about what is going on. It is no good leaving this until after the summer recess.

Mr. Newton: I will not add to what I said earlier. Ministers from the Department of Trade and Industry are due to answer questions next Wednesday.

Ms Margaret Hodge (Barking): In view of the alarming reports from the British Medical Association conference in Harrogate about what has happened to community care two years after its implementation, with its survey showing that three quarters of those doctors asked said that conditions for their patients had worsened and with four out of five doctors saying that bed blocking was a factor in that, will the Leader of the House make Government time available for an urgent debate on that worrying matter?

Mr. Newton: With the recess not far down the track, I cannot undertake to provide time for a debate. I will draw the hon. Lady's comments to the attention of my right hon. Friend the Secretary of State for Health.

Mr. Janner: On a point of order, Madam Speaker. Is it in order for any Government to abolish a Department of State without giving the House an opportunity to discuss the matter, without the courtesy of a statement from the relevant Minister and with the Leader of the House treating our request for a statement with such contempt? Surely the House should consider this matter. It is for the Government to bring the matter before the House. It is a question of the order of the House, not merely a matter of Government business.

Madam Speaker: It is perfectly in order for the Government to make departmental and ministerial changes. The Leader of the House has answered in detail today the questions about such changes not only from the hon. and learned Gentleman but from the shadow Leader of the House as well as from other Back Benchers. We shall have to leave it at what the Leader of the House has said, which will be in *Hansard* tomorrow. I shall take no further points of order. We shall get on with our business.

Local Government

5.2 pm

The Minister for Local Government, Housing and Urban Regeneration (Mr. David Curry): I beg to move,

That the draft Wiltshire (Borough of Thamesdown) (Structural Change) Order 1995, which was laid before this House on 15th June, be approved.

Madam Speaker: With this it will be convenient to discuss the following:

That the draft Staffordshire (City of Stoke-on-Trent) (Structural and Boundary Changes) Order 1995, which was laid before this House on 15th June, be approved.

That the draft Durham (Borough of Darlington) (Structural Change) Order 1995, which was laid before this House on 15th June, be approved.

That the draft Derbyshire (City of Derby) (Structural Change) Order 1995, which was laid before this House on 15th June, be approved.

That the draft Bedfordshire (Borough of Luton) (Structural Change) Order 1995, which was laid before this House on 15th June, be approved.

That the draft Buckinghamshire (Borough of Milton Keynes) (Structural Change) Order 1995, which was laid before this House on 20th June, be approved.

That the draft Dorset (Boroughs of Poole and Bournemouth) (Structural Change) Order 1995, which was laid before this House on 22nd June, be approved.

That the draft East Sussex (Boroughs of Brighton and Hove) (Structural Change) Order 1995, which was laid before this House on 22nd June, be approved.

That the draft Hampshire (Cities of Portsmouth and Southampton) (Structural Change) Order 1995, which was laid before this House on 22nd June, be approved.

Mr. Curry: The nine orders that we shall debate today—

Mr. Andrew Miller (Ellesmere Port and Neston) *rose—*

Madam Speaker: Order. I hope that hon. Members understand that I must safeguard the business of the House. There are a number of hon. Members who want to speak in the debate and who are directly involved in the subject of these nine orders. We cannot continue with points of order, many of which are often bogus. If the hon. Member for Ellesmere Port and Neston (Mr. Miller) wishes to speak to me, I am now going to my office and I am prepared to see him there, in spite of the fact that I have been in the Chair since 2.30 pm. We will now get on with the business of the House.

Mr. Curry: The nine orders implement the recommendations of the Local Government Commission for the future structure of local government in Bedfordshire, Buckinghamshire, Derbyshire, Dorset, County Durham, East Sussex, Hampshire, Staffordshire and Wiltshire.

When the orders are implemented, a substantial part of the review of the structure of shire England will have been completed. The end result of that review may not be what many of us expected, but we have always said that a diverse pattern of local government with unitary authorities in some places and a two-tier system remaining in others could be the right outcome overall. I stress that in reaching our decisions about whether to accept, modify or reject the recommendations, we have always sought to provide a local government structure which reflected most accurately the different circumstances of differing areas. We believe that that will be achieved by these orders.

It may be helpful to the House if I take together the principal issues common to all these orders. I shall outline the details of the proposed new structure in all the areas. I shall then deal with the boundaries, the powers, the functions, the electoral arrangements, the staffing and planning and the proposed ceremonial arrangements. Where different arrangements are being proposed in specific areas, I shall outline how and why they differ.

From 1 April 1997, Bournemouth, Darlington, Derby, Durham, Luton, Milton Keynes, Poole, Portsmouth, Southampton and Thamesdown will be unitary authorities on their existing boundaries. The remainder of the counties within which they are located will remain two-tier, retaining both district and county councils. Similarly, the city of Stoke-on-Trent will become a unitary authority on its existing boundaries, except for a minor change to the boundary between Stoke and the borough of Stafford. Also, from 1 April 1997 there will be a new unitary authority of Brighton and Hove comprising the areas of the two existing districts of Brighton and Hove. The remainder of the county of East Sussex will remain two-tier.

The minor change to the boundary between the city of Stoke-on-Trent and the borough of Stafford gives effect to the commission's recommendation that the Josiah Wedgwood works at Barlaston should be transferred to Stoke in the interests of business efficiency. It also unites a sewage treatment works into Stoke.

Hon. Members will have noticed that these orders, with the exception of East Sussex, do not contain the powers and duties dealing with preparation and co-operation which were included in the orders that the House has debated before. Rather than repeat those in each order we decided to remove them and place them in general regulations. However, the powers and duties will be the same as in the orders that have already been made and, in addition, we have consulted on them twice; once in draft and once alongside each draft structural change order. We shall lay those regulations before Parliament in the next few days.

The East Sussex order is different because we have to make special provision placing powers and duties on the existing districts of Hove and Brighton. Therefore, the order provides that between the establishment date and the reorganisation date, the new council for Brighton and Hove will be a shadow authority with the function and the powers to enable it to prepare for taking on full local authority powers on the reorganisation date. The existing district councils will continue their functions over that period.

There is no need to create shadow authorities for the other unitary authorities because they will be continuing authorities and will be given additional powers to prepare for the transfer of functions. They continue with the existing district powers until the point at which they automatically assume the powers of a full unitary authority.

The role of staff in the reorganisation is crucial. Newly elected councils must pay close attention to staffing matters. It will be for them to decide on their staffing structures in the light of the new functions that they will

[Mr. Curry]

be taking on. We have taken a number of steps to help ensure that the transition to the new structures is as smooth and fair as possible and my right hon. Friend the Secretary of State for the Environment has had a positive and constructive meeting with representatives of the local authority unions. We will, of course, continue to try to meet their concerns.

Although we expect the majority of staff to remain in local authority employment, we recognise that some may be redundant. For such cases, compensation provision will apply as set out in the regulations that we made last December. We have also announced our intention to provide for the compensation of those staff who wish to stay in local government employment but who may have to take a drop in salary in the new staffing structures. We will consult on those regulations soon.

We believe that authorities which are to be given unitary status should be given a fresh democratic mandate. Therefore, except in Brighton and Hove, all the current district councillors will retire in May 1996 and there will be whole council elections to the new unitary authorities at that time. In Brighton and Hove there will, at the same time, be elections to the shadow authority.

The orders provide transitional arrangements to return the authorities to the electoral cycles prescribed in the Local Government Act 1972. Derby, Stoke-on-Trent, Portsmouth, Southampton, Thamesdown and Milton Keynes will, therefore, be returned to their current arrangements of elections by thirds. In Brighton and Hove, Darlington, Poole, Luton and Bournemouth there will be elections in 1996 and 1999 and every four years after that. If any of those authorities wish to apply to the Secretary of State to change to a system of election by thirds, they can do so, provided that the council passes a resolution with a majority of not less than two thirds of the members. That system already exists.

The unitary authorities that we propose will be responsible for strategic as well as local land use planning in their areas. In Bedfordshire, Buckinghamshire, Dorset, East Sussex, Hampshire and Wiltshire we have concluded that it is desirable for strategic planning to continue across the existing county area. We are therefore asking the new unitary authorities, as structure planning authorities, to work together with the county council in each case to maintain a joint structure plan for their combined areas.

In the cases of Derbyshire and Staffordshire, the commission has proposed that the unitary authority and the county council should also accept joint responsibility for structure planning over their combined areas outside the Peak district national park. In the case of Durham, the commission has proposed that Darlington council should establish joint structure planning arrangements with the unitary authorities to be established in Cleveland. We agree with that recommendation and will give effect to it by transferring Durham county council's strategic planning responsibilities for the area of Darlington to Darlington council. That will enable Darlington to make voluntary arrangements with the Cleveland authorities to work on a joint structure plan for their combined areas. We are confident that voluntary arrangements for joint work in each of those groups will achieve the necessary results.

Each order provides for the relevant existing county police authority to continue to cover both the area of the unitary authority and the residual county area. Each order makes provision for the members of the particular police authority to be appointed by both the county council and the new unitary authority.

There will be combined fire authorities covering the new unitary authorities and the remaining county councils so that the existing brigade areas may be preserved. In order that the Home Office can achieve that by making fire combination schemes under the Fire Services Act 1947, the orders each provide for the relevant unitary authority to become a fire authority so that they can subsequently be brought together.

Sir David Madel (Bedfordshire, South-West): When Luton's shadow authority is elected in May 1996, will it mean that the existing county councillors from Luton, who are elected to Bedfordshire county council at county hall, gradually cease to play any part in governing Bedfordshire?

Mr. Curry: They will play no further role from that date in the government of the unitary authority—from the county.

The orders do not provide for ceremonial arrangements, for which separate provision will be made in general regulations. However, it may be helpful if I briefly explain to the House—

Mr. Frank Dobson (Holborn and St. Pancras): I do not want to be contentious. From what the hon. Member for Bedfordshire, South-West (Sir D. Madel) said, I believe that he was trying to find out when the Luton councillors will cease to have any say in the affairs of Bedfordshire. My understanding is that that would happen, not when the authority became a parallel authority, but when Luton took over full self-control.

Mr. Curry: I am sorry—I gave the right answer to the wrong date. *[Laughter.]* The correct answer with the correct date is that, in 1997, the unitary authority for Luton will assume full powers and, at that date, no county councillors will influence Luton and no councillors from Luton will influence the county council. There will not be a shadow authority, but in 1996 there will be an election for the new authority of Luton, which will have the task of carrying through the existing powers and preparing for the new unitary authority. I shall be happy to write to my hon. Friends the Members for Bedfordshire, South-West (Sir D. Madel) and for Luton, North (Mr. Carlisle) with the specific details.

Mr. John Carlisle (Luton, North): I do not wish to push my hon. Friend too far on the matter, but it is relevant to the budget and whether Luton county councillors have any input into that budget. Are they shadow councillors? Is there any legislation preventing them from having any input into the budget, which will be very relevant for the county in 1997? I appreciate that my hon. Friend may have to write with clarification, but that is important to the representatives of my constituency of Luton and those of my hon. Friend the Member for Bedfordshire, South-West (Sir D. Madel). Perhaps my hon. Friend will clarify the matter by writing to us if, quite understandably, he is unable to give us the information from the Dispatch Box this afternoon.

Mr. Curry: I think that I am able to provide that information from the Dispatch Box, but so that there should be no confusion, I shall ask my hon. Friend the

Minister of State to ensure that he can give the biblical text on the subject when he winds up the debate. I think that that will satisfy everyone.

The answer in relation to Luton will be the answer that is viable for all the authorities with which we are dealing, with the single exception of the combined Brighton and Hove authority. In that case, because we are combining authorities, not creating a unitary authority entirely on its existing boundaries, there will be a shadow authority. There will not be a shadow authority in the case of the other authorities because they retain their existing boundaries and will continue in the same way in territorial terms. There will be an election for councillors to prepare the transition and to carry on the responsibilities of existing authority. My hon. Friend the Minister of State will clarify that with mathematical precision and digital clarity.

Mr. David Atkinson (Bournemouth, East): Could my hon. Friend clarify the position for my hon. Friend the Member for Bournemouth, West (Mr. Butterfill) and myself in relation to Bournemouth? We understood that, under the draft order, elections would take place in 1996 for the new authority to take over in 1997. But from what my hon. Friend the Minister has just said, it seems that the new authority will take over in 1996. Can he clarify that?

Mr. Curry: The distinction is that there will be elections for new authorities in 1996. Those new authorities will assume the powers of transition until they assume the role of unitary authorities the following year. But they will also discharge some of the functions of the existing authority in that time because they will have to prepare for the new authority. Once again, my hon. Friend the Minister of State will be specific in his answers on that. We have had arguments in the House before about when a continuing authority is not a continuing authority—

Mr. Dobson: We do not want to get into that.

Mr. Curry: As the hon. Gentleman says, we do not want to get into that again.

I was explaining that the orders do not provide for ceremonial arrangements, for which separate provision will be made in general regulations. However, I will explain the proposed arrangements. Each unitary authority created under the orders will be deemed to be part of the relevant county for ceremonial and related purposes, and will therefore remain within the jurisdiction of the existing lord lieutenant and high sheriff. The general regulations will achieve that by making provision for the amendment of the relevant primary legislation. Once those regulations have been made, we shall insert a related provision in each order.

Sir Timothy Sainsbury (Hove): An important part of the ceremonial arrangements is the name of the borough. Can my hon. Friend confirm that the name Brighton and Hove—it should, of course, be Hove and Brighton, even if that is less euphonious—can be changed only with the authority of the House? My hon. Friend will be aware that the majority of the citizens of Hove were not altogether happy about being joined with Brighton.

Mr. Curry: Any authority can apply to change its name, but the authority is currently designated Brighton and Hove.

Sir Timothy Sainsbury: That is a partial answer from my hon. Friend, but if the authority applies, does it apply to the Secretary of State? Does the matter have to come before the House or can the Secretary of State make the change by edict?

Mr. Curry: I shall inquire about the precise procedure, but just as a local authority can, with a qualified majority of its members, apply to change its electoral arrangements, I envisage that similar arrangements will be used if an authority wants to change its name. As my right hon. Friend will know, a large number of places in this country are now called by a curious hybrid name that none of us recognises. I hope that some of them may revert to names that are more familiar to us, but that is entirely a matter for their own appreciation, not mine.

Sir Timothy Sainsbury: I am grateful to my hon. Friend for giving way again. Perhaps he will write to me to clarify the situation. If such an application is made, who approves or disapproves it, and how?

Mr. Curry: I shall certainly do that for my right hon. Friend because I am conscious of Hove's identity and its clear anxiety to avoid the assumption that it will be taken over by Brighton. The purpose of the regulations is not that Hove should be taken over.

The changes for which the orders provide will create more accountable local government in the areas affected. That creation of individual and independent unitary authorities will be welcomed. I therefore commend the orders to the House.

5.18 pm

Mr. Frank Dobson (Holborn and St. Pancras): Since the House last debated the product of the local government review, it is fair to say that the situation has changed, and changed considerably for the better—not least because the Local Government Commission itself has been reviewed, also for the better.

The propositions before us are part of an arrangement which is still not ideal, but certainly a great improvement on what we faced at the beginning of the year. As a result of all the changes, a substantial number of cities and towns which used to be self-governing either have been or are likely to be granted self-governing status again, and a number of others which have grown over the past few years will be granted that status and deserve it. That includes those for which the commission has already recommended what one might call county borough status again and where the Secretary of State has accepted the commission's recommendation, and those which, with all-party agreement, have been referred back to the commission with a view to them being considered as county boroughs inside counties, the remaining parts of which are not changed.

Clearly we cannct anticipate the commission's ultimate decision, but it seems likely in the circumstances that most, if not all of those referred back, will be given their independence. The point that needs to be made to them is that now that there is a reasonably well-run, orderly and logical group of people on the commission, they can be reasonably assured of receiving the independence that they deserve, if they make their case reasonably well.

We have already given independence to Hull, Hartlepool, Bristol, Middlesbrough, Stockton, Grimsby, Scunthorpe, Bath and Redcar—some of them, as the Minister has pointed out, with names that I can neither remember nor wish to remember.

[Mr. Frank Dobson]

In addition, it is likely that most, if not all, of the following towns and cities will, as a result of the review and the changes agreed between the Secretary of State and myself earlier in the year, become independent. Blackburn, Blackpool, Bournemouth, Brighton and Hove, Basildon and Thurrock, Darlington, Dartford and Gravesham, Derby, Exeter, Gloucester, Leicester, Luton, Medway Towns, Nottingham, Norwich, Milton Keynes, Peterborough, Plymouth, Portsmouth, Reading, Slough, Southampton, Stoke-on-Trent, Thamesdown—which most people think of as Swindon—Warrington and The Wrekin, should all end up independent and having full control over all the services in their areas.

Most of those towns and cities had such an independent role in the past and it was sadly taken away from them in the misguided Conservative reforms of 1974. I am glad to say that, with all-party agreement, the House is putting that right. A limited number, including Thamesdown, alias Swindon, and The Wrekin, alias Telford, will achieve that status for the first time.

Taken as a whole, this is a big step forward. There is now some consistency of approach across the country, although there are still some oddities. I regret the fact that places such as Chester, Carlisle, Lincoln, Oxford and Ipswich are not numbered among those which have referred back to the commission. It would have been better if they had had the opportunity to make their case to the commission.

I thank the Secretary of State—even in his absence. When he last made a statement on this matter, he promised me that he would agree to meet the trade unions to discuss the problems facing staff because of the transfer. That meeting took place. Both the Secretary of State and the unions represented felt that it was a very worthwhile meeting and that some improvements were secured. But there is a danger of the entire process still being marred by the general attitude that worse arrangements, compensation and terms are being offered to the staff who, through no fault of their own, have lost their jobs or their status or had their jobs changed for the worse. Indeed, they are expecting to face worse terms and conditions than when the metropolitan counties were abolished by Mrs. Thatcher.

It is worth reminding the House that many of those people have devoted all their lives to serving the residents of their area, yet their lives are being disrupted and their careers ended through no fault of theirs. Those people, and those who know them, will compare that with the rather generous treatment which the Government have afforded themselves over the past few days. The Foreign Secretary, the Chief Secretary to the Treasury and the Chancellor of the Duchy of Lancaster, who after all have another job to go to—they are still Members of Parliament, setting aside any other jobs that they might get outside this place while they continue to be Members of Parliament—are entitled to a compensation payment of £8,658, for losing ministerial office.

It may come as an even bigger surprise to discover that the former Welsh Secretary who resigned in order to challenge the Prime Minister also entitled himself, by that resignation, to the compensation payment of £8,658. When those outside this place see that people who have worked hard for a local authority in trying to provide a good local service for perhaps 20 or 30 years, are losing their jobs, status or income as a result of the changes, they will think that it is a little as though the Government are rather more generous in looking after their friends than others.

The Minister referred to the detriment regulations being brought forward. We look forward to seeing those. I hope that they turn out to be more generous than the original draft. When the metropolitan counties were abolished, detriment was calculated over seven years. Under the draft that has been circulated this time, the period for calculating detriment would be but three years, so I hope that there will be some adjustment.

That brings me to the orders before us today, which will return freedom and independence to Derby and grant it to a combined Brighton and Hove, Bournemouth, Poole, Luton, Milton Keynes for the first time, Southampton, Portsmouth, Stoke-on-Trent, Darlington and Thamesdown. We welcome all those proposals to give full self-government to those areas and we believe that those who had that status before should never have lost it in the first place. There is a proud tradition in those places of being able to maintain good-quality services which satisfied the people of those areas, and under councils of all political persuasions.

Originally, during earlier debates, we asked the Government to make the position clear right across the board on all the proposals covering all authorities. They have now just about done that, which is also very welcome as it gives us an opportunity to check whether there is a consistent approach across the country.

Mr. John Carlisle: We greatly welcome the hon. Gentleman's enthusiastic support for the orders, especially of course for that applying to Luton. Would he perhaps extend his rather generous remarks to those members of his party who are outside the unitary authorities and who have carped and criticised the decisions that have been made? Support from him to them especially his trade union friends, would be most welcome. The House—I hope—will approve orders which will be of enormous benefit to so many constituents of varied hon. Members. Perhaps the hon. Gentleman would like to stop some of his trade union friends who are outside those unitary authorities from carping about what has happened.

Mr. Dobson: There are two points: first, not only Labour people dislike the idea of unitary authorities, of counties being broken up and of county boroughs being created out of counties. Large numbers of people of all political persuasions hold that point of view, which is perfectly legitimate and does not really divide people along party lines. One can believe absolutely profoundly, decently and sincerely in two-tier local government just as easily as one can in single-tier local government. We should not criticise people who are in any position to influence the debate for making their views clear.

Secondly, I utterly reject the idea that it is illegitimate for the people who are elected to represent the staff concerned, be they in the unitary authorities or in the counties—none of them is abolished today, but Berkshire will be abolished eventually—to be concerned about those staff whose jobs will be affected. As a result of the creation of unitary authorities, some people now working for counties may no longer have jobs. Other people who may now have positions with high status and high pay

may lose that status and some of that pay. Many others will find that much insecurity is brought into their lives as a result of the process of change.

It is perfectly legitimate for those people not to like that, and it is equally legitimate for their elected trade union representatives to make a case on their behalf. That is the way the world is, and that is the way the world should be. We do not want somebody who works for a county council not to be able to have someone to speak up on his behalf. Indeed, as a result of the representations that have been made, several improvements in the terms and conditions affecting the transfers have been achieved. That is a legitimate thing to do.

One advantage of the orders is that new compulsory competitive tendering will not be introduced in the authorities concerned during the process of change. The Government sensibly recognise that that would add complexity and might make matters worse.

It is important that where national conditions are laid down either by order or by national agreements negotiated between the trade unions and the employers, all authorities either honour those agreements to the letter, or exceed them. I would expect all local authorities of all political persuasions—most of them are now Labour, because that is the situation in local government—to honour national agreements or to do even better. I say in advance from the Dispatch Box that I will condemn any authority of whatever political persuasion that fails to stick to the national agreements, and I hope and understand that the Government will not seek to interfere in any of those agreements to the detriment of any of the work force.

I believe that the hon. Member for Bedfordshire, South-West (Sir D. Madel) has already pointed out that great care will have to be taken by people from the counties and from the newly created unitary authorities to ensure that when the split takes place there is a genuinely fair allocation of resources. I hope that no one of any political persuasion will pursue a scorched-earth policy and either try to spend a vast amount of what they have now, or try to hog future resources in the share-out.

Equally the Government will recognise, as all "conservatives" should, that the process of change is costly. As I understand it, one of the conservative philosophical objections to change is its cost. That is why we should not go in for change without being sure that at the end of it there will be enormous gains that will greatly exceed the costs of the process of change itself. Anyone subscribing to a conservative philosophical viewpoint will clearly recognise that the process of change will be costly, so I hope that the Government will ensure that some additional resources are made available to ease that process. If they do not, the process could be quite damaging both to the unitary authorities and to the counties left behind. It would be a pity to spoil the ship for a hap'orth of tar.

When the new standard spending assessments are disaggregated from the counties, the distribution will need fairly to reflect the needs both of the counties and of the new unitary authorities. Unless that happens, the world being what it is, full of cock-ups, both the counties and the new unitary authorities could end up suffering from the new SSAs.

The change will be a difficult and painful process for many people, and we must try to ensure that everybody—existing elected councillors and newly elected councillors, the Government and the staff—acts in good faith for the benefit of the people of the areas concerned. We hope that the arrangements will go forward smoothly, and that the future orders that we can reasonably predict will do the same, as will the whole process of change.

Finally, I thank the Secretary of State and the Minister for their co-operative efforts with my colleagues and myself over what could be described as the review of the review commission, and also for honouring to the letter all the undertakings that they gave me during that process.

5.34 pm

Sir David Madel (Bedfordshire, South-West): I shall talk about the fifth order, which refers to Bedfordshire, but first I congratulate the new Minister of State, my hon. Friend the Member for Hertfordshire, West (Mr. Jones), on his elevation. He is my parliamentary next-door neighbour, and I am delighted. All Conservative Members will congratulate him.

I believe that the changes for Bedfordshire can work, not least because we had virtually the same set-up in 1974, before the earlier changes. At that time, Luton had had almost 12 years of governing itself as a unitary authority. The big difference between 1974 and now is that the population in the county has grown considerably, as is reflected by the fact that in 94 weeks' time, when I gather the general election will take place, we shall return six Members of Parliament rather than the four whom we returned in June 1970. The growth in population brings with it challenges, which I shall talk about later.

I am glad that the unacceptable plan for a north-south split in Bedfordshire has been buried—for ever, I hope. We need at least 100 years of stability in the county, and we never want the horrible monster of a north-south split to be resurrected. The order for Bedfordshire paves the way for much closer co-operation between Luton and Dunstable and the rest of south Bedfordshire—co-operation that is needed to deal with our main economic problem, which I shall describe later.

The Government are now actively considering the level of state spending for the next financial year, which will include the revenue support grant. I believe that it is essential that they ease the caps on local authority spending, particularly capital projects, for next year. The most obvious projects that we want to accelerate in Bedfordshire are those that would involve modernising many of our existing schools and building new ones, not least because of our ever increasing population. We would welcome a dramatic and clear easing of the caps for 1996-97.

When my hon. Friend the Minister for Local Government, Housing and Urban Regeneration opened the debate, he said that the new Minister of State would answer in precise mathematical detail a question that I asked about who had what power. As I understand it, as a result of a Government circular, in February 1997, when Bedfordshire county council fixes its budget for 1997-98, the present county councillors for Luton will have no power to participate in the budget decisions.

The Minister for the Environment and Countryside (Mr. Robert B. Jones): I confirm that my hon. Friend's understanding is correct.

Sir David Madel: I am grateful to my hon. Friend. That means that Bedfordshire county council will have

[Sir David Madel]

49 councillors deciding its budget for 1997-98. Meanwhile, the shadow authority elected for Luton next year will decide its budget. I am grateful for that assurance.

I want to raise one or two more detailed points, the first of which concerns education. The whole local management of schools system for Luton will have to go ahead before there is any administration to look after it. By the time the elections for the unitary authority take place, LMS will have had to have been prepared and a consultation draft approved. By the time the chief education officer has been appointed, the whole scheme will have had to have been submitted to the Department for Education and Employment. I hope that my hon. Friend the Minister can say who will prepare and approve the scheme, and which body will give it political approval.

The present system of funding changes means that shire counties such as Bedfordshire have to find the set-up costs for unitary authorities such as Luton. That means cuts in the services provided by the remaining two-tier authorities. At the same time, the counties' resource bases are reduced disproportionately with the removal of big towns and cities. Reducing the scale of operations is costly, and redundancy payments alone could add considerably to county council budgets. Bedfordshire county council has one library computer system, based in Luton. The cost implications of providing a second system are considerable. Many other complications will follow the transfer and downsizing of services.

In future, the structure plan for Bedfordshire will be prepared jointly by Bedfordshire county council and Luton borough council, but no guidance has been given on how the joint working will be established. Waste and mineral planning will not be considered jointly. That is a mistake, as Luton has nowhere to put its waste and will rely on Bedfordshire's landfill sites and waste transfer stations. That needs to be organised jointly.

The make-up of the police authority does not appear to be clear. A total of nine members will be appointed by Bedfordshire county council and Luton borough council. Should not the membership be determined by population, as that would be truly representative and democratic? The county would then have six members and Luton three. A system based on the number of councillors would favour Luton, whose councillors represent fewer electors per division. Luton, with 48 councillors, would have at least four members on the authority while the county, with 49 councillors, would have five.

In the case of the combined fire authority, the membership will be based on population. It would be helpful if the same arrangements could apply to the police authority.

My final point on costs deals with the supplementary credit approvals to implement the reorganisation. Can my hon. Friend the Minister confirm that restructured county councils such as Bedfordshire will be treated in the same way as new unitary authorities in the allocation of supplementary credit approvals to cover the costs of the reorganisation?

Mr. John Carlisle: I am grateful to my hon. Friend, and neighbour, for giving way. While I appreciate that what he has said has come to a certain extent from the county council, I am concerned that the impression might go out from Bedfordshire that the unitary authority of Luton will not, in the longer run, make great savings following the split from Bedfordshire. I know that my hon. Friend will not want to give the House that impression, or suggest that the authority will go to the Government with a begging bowl to ask for more cash. We are happy with the arrangements, which could in the long term result in a substantial saving for the council tax payers of the county.

Sir David Madel: I do not disagree with my hon. Friend, but the interim costs of the reorganisation are uncertain. I felt that I should raise some of the uncertainties now, because it will be some time before the new authorities settle down. My hon. Friend is right to say that we must always keep costs in the county down so that council tax payers have value for money.

The big change that has occurred between 1974 and now is the economic problem in the south of the county and the rate of unemployment. The latest unemployment figures provided by Bedfordshire county council show that the rate of unemployment in Houghton Central and Houghton East is more than 10 per cent., while in Northfields it is 8.3 per cent. Across the border in Luton, the rate of unemployment in Biscot is 20 per cent., while in Dallow it is 20.1 per cent.

A great deal of unemployment was caused by the shattering loss of truck manufacturing in Dunstable. As yet, we do not have a replacement manufacturer for the Bedford truck site. I cannot emphasise too strongly the huge pall of despair that still hangs over Dunstable and Houghton Regis about the loss of the truck manufacturing jobs. When the two new authorities have settled down, they will want to work closely together to bring about an improvement in the infrastructure in the south of the county to get those jobs back.

Fortunately, there is one bright light on the horizon to help us—the launch this autumn of the new Vauxhall Vectra in Luton. Vauxhall employs a large number of my constituents, and everyone in Bedfordshire is willing the new car to be a stunning success. Would not it be a wonderful tonic if the rumours going around were true—that Vauxhall is considering building the highly successful Corsa at Luton as well? The jobs created if two types of car were to be produced at Luton would be a colossal boost to the area. I appeal to General Motors, the parent company of Vauxhall, to remember the intense loyalty shown for years by hundreds of truck employees who used to work at the Bedford truck plant and who now, alas, are unemployed.

We want to make every effort to assist in the economic regeneration of the Luton, Dunstable and Houghton Regis area. The population has gone up greatly, and there will be co-operation between the two authorities.

Mr. Dobson: I understand that the hon. Gentleman and the hon. Member for Luton, North (Mr. Carlisle) are trying to find out what will be the status of county councillors from Luton following the election in May next year of the new Luton council. Unless there is some provision which is not in this order, it would appear to me that councillors from Luton will be able to take a full part in the activities of the county council for a further year.

Sir David Madel: I have dealt with that matter.

Mr. Robert B. Jones: It might be helpful if I intervene. The hon. Member for Holborn and St. Pancras

(Mr. Dobson) is correct—that matter is not dealt with in this order. We are consulting on the regulations to which my hon. Friend referred, which would mean that county councillors would not be able to take part in the budget process for a year after the formation of the county council in that area. I hope that that satisfies the hon. Member for Holborn and St. Pancras.

Sir David Madel: You probably want me to conclude my speech, Mr. Deputy Speaker. The main difference between the economic situation now and that of 20 years ago is the rate of unemployment. I wish the two authorities well, and I hope that they will succeed in working together successfully. Their main priority must be to do everything they can to drive the unemployment rate down in the south of the county and to get new manufacturing businesses into the area. We are desperate for that, and I am certain that we can succeed.

5.47 pm

Mr. Alan Milburn (Darlington): The order that brings into being a single-tier Darlington council is long overdue, but none the less very welcome news for the town. Before I became a Member of Parliament, I urged Ministers to give the people of Darlington what they have long wanted—a return to self-government. Many hon. Members who represent former county boroughs will realise that places such as Darlington have a sturdy reputation for independence.

The town first became a borough in 1867, with the grant of a royal charter, but when the Local Government Act 1888 authorised the establishment of both county councils and county borough councils, a conflict of responsibilities grew between Darlington borough and Durham county councils. Happily, the matter was resolved expeditiously—following a six-day Government inquiry—with the granting of county borough status for Darlington in 1915.

It is particularly appropriate then that self-government is finally being restored to the town this year—the 80th anniversary of Darlington's becoming a county borough. It is a pity that what could be achieved in six days in the early part of the century has taken almost three years at the end of it.

After all, there can have been few more clear-cut cases in what has sometimes become a chaotic and shambolic local government review than Darlington's bid to run all its own local services. It must from the outset have been clear to all and sundry, particularly to Ministers, that whatever the outcome of the review in the rest of the county, Darlington had a good case for going it alone.

I say that for a number of reasons, not least because Darlington has a history of self-government. As a county borough, the town ran all local services until 1974, when the last Conservative local government review stripped local people of that right. That decision inflicted wounds that are felt to this day in a town in which traditions of civic pride and community identity are held strongly. Darlington had run local schools, libraries and other services with aplomb until 1974.

As my hon. Friend the Member for Holborn and St. Pancras (Mr. Dobson) said, Darlington and other towns that had county borough status should never have lost control over their services in the first place. Local people want their town's local government services run locally. That is certainly the case in Darlington.

According to the MORI poll undertaken by the Local Government Commission, 74 per cent. of Darlington respondents supported the unitary principle. While residents from elsewhere in the county favoured no change for their local council structure, two thirds of Darlington people wanted a single-tier Darlington authority. In other words, there was and is clear and overwhelming popular support for self-government in the town.

Apart from a slight hiccup—a slight split in the local Conservative party, which is I suppose a fact of life nowadays for Conservative politicians, whether local or national—on the boundaries of any new authority, local public consensus was reflected politically and there was genuine all-party support for a single-tier local authority in the town. That in itself is a reflection of the recognised differences between Darlington and the rest of County Durham. It is distinct from the rest of the county in its patterns of employment, housing tenure, size and history.

To this day, Darlington retains a market town character. It has more people working in service industries and a higher proportion of people who own their own homes than the rest of the county. It is the biggest centre of population in the county and economically the growth pole for future development. Thankfully, Darlington has managed to avoid some of the economic blight that has been visited upon other parts of the county, which has been decimated by the decline of industries such as coal mining.

Inevitably, many people in the town feel that, in a two-tier system of local government, Darlington's differences and needs have sometimes played second fiddle to county-wide objectives when it comes to determining resource allocation by the county council. Despite that, Durham county council has played a positive role in Darlington. As we go forward to a single-tier Darlington authority, I am sure that that positive relationship will be a very real asset. The county council has certainly managed recent changes in local services—not least in the town's schools—with much skill and sensitivity.

None the less, the confusions caused by the two-tier structure of local government in County Durham are a pressing reason for progress towards a single-tier Darlington council. For example, in services such as planning, leisure, arts, museums, economic development and transport, there is an overlap in the functions between the existing county and borough councils. There is also confusion in the public mind about who does what and whether local services are the responsibility of the town hall or the county hall. In Darlington, the public would certainly prefer their services to be run locally rather than from a county hall some 20 miles away from the centre of the town.

Those are the reasons why there is such strong support for the unitary principle in Darlington. I believe that it is a principle that has much to commend it throughout local government. On grounds of efficiency, public understanding, accessibility and sensible decision making, single-tier councils seem to make much sense. In Darlington's case, the unitary principle was always particularly applicable.

Given all of that, why has it taken so long for the Government to get around to agreeing this logical change to the structure of local government in the town? After all, as the Minister is well aware, in County Durham the

[Mr. Alan Milburn]

review began in September 1992. The delay in reaching a final decision for Darlington and the rest of the county was caused by one simple fact—we have had not one, but two reviews.

In May 1993, the Local Government Commission first recommended a single-tier Darlington council, outside a two-tier County Durham. In November of that year, after extensive local consultation involving about 28,000 responses from the county's residents, the same recommendation was made—so far, so good. The public had responded and the commission had done its job. It had come up with a commonsense solution for Darlington and there was a clear consensus behind that outcome.

Then things started to go badly wrong because Ministers started to meddle. The Secretary of State for the Environment issued new guidance to the commission. Whatever view one takes of the wisdom of the guidance or the decision, because of the clear-cut position in Darlington, the obvious thing to do was to exempt the town from a further review. Indeed, I led an all-party delegation to the Minister for Local Government, Housing and Urban Regeneration to argue that case in December 1993.

Instead, Ministers decided to ride roughshod over local views by forcing Darlington to go through a second review. Exactly the same organisations and people were consulted the second time round, with just two exceptions—the lord lieutenant of the county and the county's magistrates. Whatever those people and organisations have to commend them, frankly, they were never going to make a substantial difference to the original recommendations, so it was no surprise that, when the commission published its second set of recommendations in July 1994 and its final, final set last December, the outcome was as before—Darlington would go it alone, with the remainder of County Durham staying two-tier. In the process, however, precious time and resources have been lost and wasted.

The farce that I have described threw Darlington's future back into the melting pot. It left the future of thousands of local authority staff members hanging in the air and, crucially, ministerial chopping and changing cost Darlington vital time in preparing its future. When the Minister opened the debate, he spoke warmly of the Tees Valley Development Company, which has great potential. The future of Darlington's strategic planning and economic development functions lies eastwards—rather than northwards—with the four new single-tier Cleveland authorities. Darlington council is eager to play a full part in that emerging Tees Valley Development Company but, unlike the other four local authority founding members, it cannot commit any resources until next year. That is holding the project back.

Those unnecessary delays are especially galling because so many of the pieces of the jigsaw are in place to make Darlington an economic success. The town has everything going for it. It has green-field sites, an attractive location, a proud industrial tradition, major international firms that call Darlington their home and excellent communications.

Darlington also has another ingredient which, in my opinion, nowhere else in Britain can match—local people and local organisations who are committed to the town and want it to succeed. Darlington is blessed with people willing to work together in partnership for the benefit of the whole community. It has more than 700 voluntary organisations, many of them bearing the name Darlington in their title. It has almost more charity shops than anywhere else in the country.

That spirit of community, which is so evident in the town, has been given expression by new organisations such as the Darlington employers forum. I am proud to chair that organisation, which brings together the town's largest employers, whether they be in the public or the private sector, and training bodies and community organisations, behind a single economic plan for the area.

The forum's plan, called "Creating New Opportunity", aims to create about 5,000 new jobs by the turn of the century by means of public and private sector partnership initiatives. As long as two local authority decision makers, not one, decide the town's future, however, that plan risks being compromised. That is why the order is so important. It is a matter of regret that Darlington will not have a single decision maker until 1997. That position should, and could, have been avoided.

None the less, the order gives Darlington a chance to shape its own future. It will offer coherent, co-ordinated and efficient decision making. Above all, it will restore to local people power that should never have been taken from them in the first place.

6.1 pm

Mr. Nigel Waterson (Eastbourne): First, may I add my congratulations to those of colleagues on the promotion of my hon. Friend the Minister?

I wish to speak against the East Sussex (Boroughs of Brighton and Hove) (Structural Change) Order. I shall try to be as constructive as I can, because we must learn lessons for the future from the process that has taken place in the past couple of years or so. We need to evolve a system whereby the hopes of local people are not raised only to be dashed, councils are not set against one another in a kind of propaganda war, and real weight is given to strong feelings of local identity in a community.

We in Eastbourne have emerged from that process bruised and bewildered. If anyone had told me, at the start of all that, that when we came out of it we would continue to have a two-tier system in East Sussex, but with about 30 per cent. of the population stripped out of it into a separate unitary authority, I simply should not have believed them.

I should say a word about my constituents in Polegate and Willingdon, who will remain part of Wealden. I know that they feel greatly relieved about that, and Wealden is a very well-run council. I am pleased for my constituents in those parts of my constituency. My speech is directed to my constituents in the borough of Eastbourne.

I appreciate that there is always an element of special pleading in such cases, but I make no apology for what I say this evening. Few cases for a unitary authority can have been as strong as that of Eastbourne, a town which had had a long and proud tradition as a county borough from 1910 to 1974.

On that issue there was an outstanding amount of unity in the community, in all political parties, throughout the council, business organisations, voluntary organisations and so on. My hon. Friend the then Minister for Local Government, Housing and Urban Regeneration was good

enough to say that the delegation that I led to meet him from Eastbourne was one of the most impressive he had seen.

Our brush with the Local Government Commission was an unfortunate experience. I felt that it had placed far too much emphasis on a single, deeply flawed MORI poll. It applied abstract notions which were irrelevant to our real needs. It recognised a strong sense of local identity, but proceeded to ignore it.

In its interim recommendations, the commission produced two options. The first option was the so-called "south downs authority", effectively merging Eastbourne with Lewes and south Wealden. That would have merged communities with different needs and aspirations—a predominantly rural community with a coastal and tourism-oriented community.

The second option, which I dubbed during the process "the option from hell", is basically the position we have now, except that Brighton would have been on its own according to that proposal, and Hove would have joined Adur and Worthing. However, deaf to all entreaties, the commission's final recommendation was basically option 2. The commission never got fully to grips with the special sense of identity in Eastbourne, and its implications.

As I have said, the commission did recognise that identity. I quote from its report:

"The town has a strong sense of place, being a Victorian model town and a former county borough. It is also a significant shopping, business and commercial centre, with good infrastructure to support service delivery which in part reflects its former status as a county borough."

The other evidence is overwhelming. A National Opinion Polls poll showed 74 per cent. support for a unitary authority. A household survey conducted by the council showed 94.6 per cent. support. Even on the commission's green form exercise—in which 14 per cent. of the electorate replied, which is a comparatively large proportion—nearly 70 per cent. of those who replied rejected both of the commission's options and wrote in their preference for the Eastbourne option.

That was the highest percentage vote in England for an option not sponsored by the commission. It equalled the total votes for unitary status in Leicester, Nottingham and Northampton combined. There was ample evidence of that strong feeling in my mailbag.

Eastbourne was a county borough and proud of it, a self-contained town encircled by the downland and the sea, a model town, laid out by the then Duke of Devonshire, described as being built by a gentleman for gentlemen at that time. It was the first town to have its own electric light company, police force and water company, and it had the first municipal bus company in the whole country. It has always been a town that knows where it is going. A more modern example is the £500 million Sovereign harbour development. The town has a tradition of self-governance. *[Interruption.]*

My hon. Friend the Member for Luton, North (Mr. Carlisle) reminds me that the House once voted through the night, under the persuasion of my predecessor, the late Ian Gow, for that very project.

The population of Eastbourne has increased rapidly. It is now 88,000—not, technically, enough for the rather unimaginative limits imposed by the commission, but we add about 10,000 every 10 years. In the next decade, admissions to secondary education are projected to increase by 37 per cent. It is the south-east's major tourist town, with revenues of £110 million a year, 2.8 million visitor nights and 2.6 million day visitors a year. For four months of the year, the population swells to about 150,000. Even in the so-called "shoulder" seasons, it is rarely less than 100,000.

There are also arguments relating to economic regeneration. I am pleased to say that we were recently beneficiaries of £1.5 million from the single regeneration budget. Eastbourne is a town with a long tradition of close co-operation between private and public sectors, especially by means of organisations such as the Eastbourne Business Partnership and the Eastbourne Marketing Group.

There is a major fear that, under those new arrangements, Brighton and Hove and the county will make strategic decisions over the heads of those of us in Eastbourne. Brighton is our closest—and one of our biggest—rivals for tourism, conferences and funding of all types.

We also had strong arguments about the viability of the rump that would be left if Eastbourne also were to be stripped out of the county council. We have provided clear evidence that services such as education and social services would not suffer. We felt that our residual population of about 390,000—nearly equal in size to Shropshire, and more than Northumberland—was more than enough to make the remaining county council absolutely viable.

I make no complaint about my right hon. and hon. Friends who have been wrestling with the contents of this Pandora's box for some time, but I do criticise the role of the county council. Even after the decision to set up Brighton and Hove and to retain a slimmed-down county, the county council has been lobbying hard against Eastbourne achieving unitary status. I publicly described that attitude as "dog in the manger", and I do not resile from one bit of it.

I share the sense of unease left after that process at the failure of the Local Government Commission to appreciate the strength of our case. We felt disappointed about the doubts that emerged later in the process about the Secretary of State's power to modify the proposals emerging from the commission. There was major disappointment that we were not on the list to be referred back to the reconstituted commission.

For all those reasons, it is with real regret that I say that I shall be unable to join my right hon. and hon. Friends in the Division Lobby this evening.

6.10 pm

Mr. David Rendel (Newbury): It is a great privilege to have a chance to follow such strong criticism of the Local Government Commission with a slightly different speech from that given by the main spokesman for the official Opposition, the hon. Member for Holborn and St. Pancras (Mr. Dobson), who now seems to be in the Government's pocket on this issue.

The whole process of the review of the structure of local government has been a shambles. I have said that before and shall not hesitate to say it again. It has been a tale of incompetence on the part of the Government from start to finish, with guidelines which have shifted radically

[Mr. David Rendel]

from time to time, an attempt to manipulate the commission to suit the Government's intended outcomes, and a wholly inconsistent process of consultation.

The starting point for the review should have been not the structure of local government but the effective delivery of services to local communities. Yet, as we have seen today, the Labour party has now been dragged into the Government's shoddy game of stitching up county after county for their purposes, despite the fact that Labour Members had previously seemed determined, on behalf of their union friends, to oppose every order as it came before the House.

First, I emphasise that I and my Liberal Democrat colleagues wholeheartedly support decentralising power, not just to unitary authorities but down to town, village and parish councils. But we do that in a way that is informed at all stages by public opinion, and that is how it should be done. It is vital that all the structures of government carry the support and confidence of the people whom they are meant to serve. The fact that the structures set up in 1973 did not do that has caused so many difficulties since.

Mr. John Butterfill (Bournemouth, West): I am interested in what the hon. Gentleman says about the Liberal Democrats being sensitive to public opinion. Does that explain why the Liberal Democrat administration in Dorset so vehemently opposed public opinion in Bournemouth and Poole, and tried its best to deny them unitary status?

Mr. Rendel: The hon. Gentleman knows very well that what is best in terms of public opinion in Bournemouth and Poole may not be best in the rest of Dorset. There are all sorts of views, as I shall show in a moment, and sometimes public opinion in a whole county is not the same as in individual towns and cities. We shall do our best to listen to public opinion throughout.

Many of the boroughs proposed as unitary authorities in the orders before us have not been properly consulted on the specific proposals. I know that the Government have a peculiar view of consultation, but even they must acknowledge that, in many of those cases, local people have not expressed conclusive support for the proposed changes.

Even where reasonable consultation has taken place, there is a huge divergence between the preferences expressed in the NOP and MORI opinion polls. So only some of the orders before us tonight can be said to have the undoubted support of local people, which is why I intend to treat them one by one rather than en masse, as the Labour party seems to wish to do. That is no basis on which to restructure local government.

I have a few comments to make about the practical considerations of implementing and financing the restructuring. The arguments about the provision of strategic services are now well rehearsed, but many people still fear for education and the emergency services, for instance, and for the basic coherence of policy in a number of other areas. It will clearly be up to local authorities to co-operate in various joint arrangements to make those matters work. Unfortunately, the Government give the impression that that is simply not their problem, and that they have no role to play in finding the solution.

There are also real concerns about finance. The meagre finance support mechanism that is intended to underpin the structural reform is borrowing via the mechanism of supplementary credit approvals. That was to be made available chiefly to the unitary authorities, as the counties were all expected to be abolished. Now that the review is being scaled down, however, it represents a major problem.

In each county, the borough or district that will become a unitary authority will take priority for supplementary credit approval, yet the remaining county will have to foot a large slice of the bill, with only limited access to additional borrowing facilities. That is likely to be a particular problem in Hampshire, and the Government will no doubt have had representations from that county especially.

If capping is to remain in place, it will inevitably mean cuts to services, specifically—almost certainly—to education. But if capping is relaxed, it could mean much higher council tax bills in the coming years for people who have had no say on the matter.

The review has been inspired and instituted by central Government. It is therefore central Government who must ensure that local authorities have sufficient funds to carry the reforms through, even if only through re-prioritising and rescheduling supplementary credit approvals. It would be especially ironic if people who opted for the status quo in their areas on the ground of thrift were now given higher council tax bills because their neighbouring authority had been restructured into a unitary authority.

A related problem could also arise in councillors' representation on police authorities. If councillors from a new unitary authority are to be added to the pool of county councillors on a one-to-one basis for the purpose of selecting the right balance of political representation on a police authority, those unitary councillors will slant the political representation in favour of that existing in their area.

That is clearly not democratic, and will do nothing to improve the workings of police authorities. I know that that matter is a particular concern of the Association of County Councils, and I seek the Government's assurance that that concern will be taken on board and a solution found.

I wish briefly to consider the level of local support for each of the nine counties that we are considering today. I shall take them in the order of the Order Paper. The MORI poll conducted in Thamesdown made it clear that about 50 per cent. of local people were in favour of a change to unitary status and only 11 per cent. wanted to maintain the status quo. In Wiltshire as a whole, the figures were 57 per cent. in favour of unitary status and only 15 per cent. in favour of the status quo. Moreover, the county of Thamesdown and the neighbouring districts were both in favour of that change.

There is undoubtedly a worry about the costs. Annual costs are expected to rise by £2 million and transitional costs by up to 7 million. In that area, however, local support is clear and I shall therefore support that order.

In Staffordshire, the MORI poll showed that, in Stoke, some 39 per cent. of people were in favour of some sort of change, but as many as 35 per cent. were in favour of no change. In Staffordshire as a whole, 39 per cent. were in favour of some change, but 36 per cent. were in favour of no change—very evenly balanced. Moreover, many of

those, particularly in Stoke city, who favoured change would have preferred an enlarged Stoke city. There has been no real consultation about a unitary Stoke council, so in this case there is not sufficient evidence of local support to support the proposed change.

Mr. Mark Fisher (Stoke-on-Trent, Central): Will the hon. Gentleman consider for a moment that, by giving the incantation of evidence that he has from MORI polls, he makes a mockery of his protestations that he is in favour of listening to people? He knows nothing about the communities he is talking about, and I doubt whether he has even visited Stoke-on-Trent.

What on earth is the hon. Gentleman doing pontificating about the views of people in Stoke-on-Trent? Will he reconsider his speech, make it considerably shorter, and have more respect for the views of people who live in the communities that he is pontificating about?

Mr. Rendel: I am surprised that the hon. Gentleman does not think that views expressed in MORI polls, and other polls, are worth listening to.

Mr. Fisher: Real people's views are more important.

Mr. Rendel: I should have thought that the real people who respond to those polls are worth listening to, and I am surprised that the hon. Gentleman does not. In Darlington—

Mr. Robert B. Jones: Before the hon. Gentleman leaves Staffordshire and Stoke, he seemed to place a great deal of emphasis on the view that he ascribed to the people of Stoke that the city should be extended. Does he not think that the people of Newcastle-under-Lyme or neighbouring areas may have views which might be in conflict with the views of the people of Stoke, and which must also be taken into account?

Mr. Rendel: Of course the views of surrounding towns need to be taken into account. It is because there has been no proper consultation that there is insufficient evidence to go ahead with the Government's proposal. We do not know what would have emerged had there been consultation on the order.

In Durham and Darlington, the MORI poll showed clear support in Darlington for the unitary principle. It is a pity that there was no consultation on having Darlington as the sole unitary authority, with the rest of the county remaining two-tier, especially because there are worries about the cost of the proposed changes—possibly up to £3 million annually. That will affect Durham county as well as Darlington itself. The people of Darlington clearly wish for unitary status, and that wish deserves to be supported.

In Derbyshire, the MORI poll in Derby showed that 50 per cent. supported some form of unitary solution, with only 19 per cent. against it. In Derby city, the majority was even greater, with up to 66 per cent. supporting it. In Derbyshire as a whole, the figure was 50 per cent. Derby's population of 227,000 makes it one of the largest non-metropolitan districts, and thus a suitable case for a unitary authority.

In the county of Derbyshire, all districts except Chesterfield supported the case for a unitary Derby, and the NOP analysis gave a figure of approval as high as 91 per cent. in Derby. There is still a worry about the annual cost of up to £3 million and transitional costs of £5 million, but it seems that local opinion is generally in favour, and the order should therefore be supported.

In Bedfordshire, the MORI poll showed 62 per cent. in favour of a unitary Luton, and only 8 per cent. in favour of no change. In Bedfordshire as a whole, 55 per cent. favoured change and only 13 per cent. were against. Therefore, there is clear support for change, and that is another of the orders that deserves to be supported.

In Buckinghamshire, a unitary Milton Keynes, with the rest of the county remaining two-tier, was the least preferred option in the county, and in Milton Keynes itself. The districts preferred four unitary authorities, and the county preferred a two-tier system to remain. There are considerable extra costs involved—between £1 million and £4 million in increased annual costs and transitional costs of between £2 million and £5 million.

The Government's option for structural change in Buckinghamshire was rejected by the Local Government Commission, which found:

"there has been a lack of general support for this proposal."

I do not believe that there is sufficient local backing for me to support that order tonight.

Mr. David Lidington (Aylesbury): Could the hon. Gentleman say whether he supports the option, which was advocated by the districts, of four unitary authorities, which the Local Government Commission said would be a great deal more expensive than that which the Government have brought forward?

Mr. Rendel: I have not attempted to decide which other option is preferable. That would need further consultation with the local people. I have taken what I could of the evidence of what people think about that order, and based my decision on that.

In Bournemouth and Poole, there is considerable support for change, especially in Bournemouth, where the figures are 54 per cent. in favour and 18 per cent. against, according to the MORI poll. That is a much larger proportion than favoured a unitary authority in Poole, where the figures were only 40 per cent. in favour and 35 per cent. against.

However, in the direct representations to the commission, especially from the local councillors concerned, there has been heavy support in both areas for a change. That is not in itself conclusive, but, together with the support shown in the MORI poll, I believe that the order should certainly be supported, particularly because of the high support in Bournemouth.

In East Sussex, which has already caused some controversy tonight, the solution of a unitary Brighton and Hove, with the rest of the county two-tier, was not offered in the consultation process. There was substantial support for no change or for other options, especially in Hove. There is a clear need to re-consult the people in Brighton and Hove on the new proposal for a joint unitary authority. I do not believe that there has been public support sufficient to show that that order should go through.

Finally, in Hampshire, there is much evidence from the direct representations made to the commission of a clear case for both Southampton and Portsmouth to be made into unitary authorities, although the evidence is also

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strong in the case of New Forest. There is great disappointment there that the Government have not gone ahead with a unitary authority for New Forest.

There is concern in Hampshire about the speed with which the Government will move to ensure that ceremonial functions in Hampshire will not be affected by the setting up of new unitary authorities in Southampton and Portsmouth. I hope that the Minister will give Hampshire further assurances on that. There is also a worry about the cost of the change. The annual cost will be up to £3 million, and transitional costs may be as high as £9 million. The MORI poll was somewhat inconclusive, although generally in favour of some change. I therefore believe that there is a marginal case to be made in favour of the unitary authorities.

All in all, this is something of a dog's breakfast. The review of the local authority structure has done considerable damage to local democracy. A review was needed, and local government needs to be brought closer to the people and made more accessible, relevant and responsive. However, very few people of independent judgment would question the view that the Government have made a pig's ear of the job.

Perhaps, in future, Ministers will take more time to listen to local councillors and spend less time pandering to the Tory right. If they do not, they can look forward to ever deeper defeats in local elections—defeats which, so far, have been richly deserved.

6.28 pm

Mr. John Carlisle (Luton, North): On behalf of the 178,000 residents of Luton, and some 500,000 residents of Bedfordshire, I must say that we breathe the most enormous sigh of relief that the hon. Member for Newbury (Mr. Rendel) approved the order that affects us. We were on tenterhooks. We were desperately worried about our future because of the importance of the hon. Member's speech. People would not have slept soundly in their beds tonight had he come down against that order, and others.

The hon. Gentleman's speech was government by opinion poll. So long as the MORI opinion poll said that a particular local populace approved the orders, that was all right with the Liberal Democrats. Never mind the personal opinions that people expressed or the deep historical factors. They were dismissed as pig's ears, dog's dinners or dog's breakfasts.

In the many years that I have been in this place, I have heard some pompous speeches from Liberal Members but that took the biscuit. The hon. Gentlemen had the audacity to go through orders affecting places that he has never, I suggest, seen, visited or even heard of until the orders were published today. To give the House his personal opinion, with no support whatever from other members of his party, and to say magnanimously to hon. Members, who have fought for years for their patches and who have gone through the discussions and deliberations, that he—possibly representing his party—finally approves the orders is almost an insult to the intelligence of hon. Members.

I am glad that the hon. Member for Newbury has sat down because I do not think that many of us could have stood much more. If the Liberal Democrats really mean what they say, will they please say that people do matter? The hon. Gentleman and his party have, on many occasions, dismissed opinion polls as irrelevant because they find themselves at the bottom of those polls. They say that opinion polls do not matter and that what matters is people. It is not worthy of the hon. Gentleman or his party for him to give such a pious and pompous speech.

I can speak with some clarity and a great deal of enthusiasm on behalf of the people of Luton and the people of Bedfordshire. We in Luton and Bedfordshire, as my hon. Friend the Member for Bedfordshire, South-West (Sir D. Madel) has said, welcome the order that affects us. We pay tribute, which the hon. Member for Newbury failed to do, to the members of the Local Government Commission for England. They worked extremely hard and spoke not only to residents in the areas concerned, but to Members of Parliament. Perhaps they missed out the hon. Gentleman; I do not know. There were tortuous proceedings and historical discussions, which were absolutely necessary. I pay tribute to the commission for coming up with an extremely satisfactory answer for Bedfordshire.

I am sorry that this debate coincides with a speech being made by my right hon. Friend the Prime Minister in the Queen Elizabeth II conference centre. I am sure that my hon. Friends who are present share my disappointment. I know that my right hon. Friend welcomes the orders. If the hon. Member for Newbury presses his rather bizarre thoughts to a vote, we shall ensure that he is defeated.

The order is welcome for Luton. Many of us look back to the pre-1974 days; I speak as a son of the county, having been born and educated there. Before 1974, Luton was a unitary authority, with county borough status, and ran its own affairs. That is why the campaign, admirably led by the citizens of Luton, has been successful. People understand that local authorities must represent the local people; local people have a say and they identify with their area.

People often ask me which constituency I represent. When I say that I proudly represent the town of Luton, they say, "I have been through it," and their face falls. If those people stopped off in Luton, they would find citizens of the highest order—people who are proud of their traditions and of the facilities that the town offers. To return, as I hope we now shall, to unitary status and to be able to look after our own affairs are matters of great pride to us in Luton, and I think that the people of Bedfordshire feel the same.

My hon. Friend the Member for Bedfordshire, South-West rightly expressed to the House and to the Minister certain concerns that are still felt by the county. I appreciate them, but I shall not bore the House by repeating them. There will, of course, be difficult times ahead in the discussions between the Department of the Environment, elected councillors, council officers and the citizens of Luton. As my hon. Friend said, we are worried about the budget and about the decisions that may be made when the shadow council comes into being. I believe, however, that those matters can easily be put on one side. A new spirit of co-operation between the two areas is already apparent.

My hon. Friend the Member for Bedfordshire, South-West rightly mentioned the economic welfare of the south of the county and he was right to point out that we have suffered, as have other areas, from the demise of

manufacturing, especially in the truck-building industry. My hon. Friend is also right to say that we hope that the unitary authority for Luton will try to restore Luton as a manufacturing base and that it will create some form of employment. There is enormous enthusiasm for regeneration in that part of the county. I congratulate the county council and Luton borough council on their recent success in obtaining £5 million in regeneration grant. We all enjoy the success of Vauxhall and, like my hon. Friend, I hope that the launch of the new car will bring new prosperity for my constituents and for the town of Luton generally. With unitary status, we should go forward on the basis that Luton people are proud of what they have and of what they have done.

There will, of course, be problems in certain areas in the next couple of years, and I shall outline them briefly to my hon. Friend the Minister. One problem concerns the roads structure. As I hinted earlier, people say that they have been through Luton. They have been through Luton because they have been travelling on one of the main arterial roads of this country—the M1. In the county of Bedfordshire, we have been lucky in obtaining substantial sums of taxpayers' money to improve our road structure, particularly through bypassing villages and within the borough.

There is, however, a certain concern that, because of the forthcoming unitary status, some of the road projects that are dealt with by the county, especially those within the borough of Luton—I am thinking especially of the Luton east circular road—could be put on one side, even at this stage, by the county council. The road scheme is on the list, but it may not be scheduled for some years yet. Luton will be hived off and there is concern that, because we shall be on our own, grants from the taxpayer may not be forthcoming. There is also concern that the county council may be tempted to say that if a project concerns Luton, it will be left on one side. I ask my hon. Friend the Minister to ensure that if projects come before him, especially if money is made available from the Department of Transport, Luton is not forgotten. I ask that there should be no bias against the town because of its future unitary status.

The hon. Member for Holborn and St. Pancras (Mr. Dobson) talked about a scorched-earth policy and I think that he is right to alert all of us to the difficulties that may occur within the next few years when a county sees part of its area becoming a unitary authority. It would be sad and unnecessary for county councils, whether Bedfordshire, Buckinghamshire, or whatever, to pursue such a policy towards areas that were becoming unitary authorities.

Education is very much a county responsibility at the moment. Some potential problems will be relieved as more schools become grant-maintained; I was interested to note that the hon. Member for Holborn and St. Pancras did not mention that point. If more educational establishments move towards grant-maintained status—I hope that schools in my constituency will do so—the transition period will be so much easier. Not all schools, of course, will go in that direction. For that reason, it is right that the transition should take place as quickly and as smoothly as possible.

In Luton, we have retained an education system in which schools do not have a sixth form. I make this plea to those who may be elected on to the unitary authority, either as shadow councillors or as proper councillors in 1997. We should perhaps consider bringing back the sixth form to some of our schools. We have a superb sixth form college which I am proud to have in my constituency. I believe, however, that many schools are being held back because they do not have a sixth form. If there is any spin-off advantage from unitary status, I hope that sixth forms may come about.

The other two major activities in the town are the airport and the university. I hope that the airport will go from strength to strength, especially when we have sense enough to ensure that it is put fully into private hands. It is rather sad that there is still some resistance from the Labour council and that there was some cowardice on the part of the former Tory council.

The other plus for our area is the university, which has provided for many students, from my constituency and from many others, an enormous benefit. It is a place where students can get an excellent education. My hon. Friend the Member for Luton, South (Sir G. Bright)—I am sorry that he cannot be here with us this afternoon—made an excellent speech on the subject just a few weeks ago.

Overall, on behalf of my constituents and the people of Luton, I welcome the order. We have been wanting for a long time to return to managing our own affairs and to be rulers in our own fiefdom. It has been welcomed by the people of the county, who, in effect, are staying where they are. The commission's recommendation is right. Luton very much looks forward to unitary status. We can go from strength to strength. On behalf of my constituents, I support this excellent order.

6.40 pm

Mr. John Denham (Southampton, Itchen): I welcome the decision to return powers to the city of Southampton and, as the only Hampshire Member present in the Chamber, the decision to return powers to Portsmouth, which I know will be equally welcomed there. It will put both the major cities in Hampshire in a strong position to make the most of their strengths as they move into the 21st century.

I pay tribute to all the people in Southampton who have pressed consistently for this change for the past 20 years, and, if I can strike a partisan note, particularly to the Southampton Labour party and its councillors, who have been unwavering under the Labour Government up until 1979 and the present Administration in pressing for the return of powers to the historic city of Southampton. I believe that the change reflects unambiguously what the vast majority of people in Southampton want to see.

I listened with some amazement to the speech of the hon. Member for Newbury (Mr. Rendel). He provided some explanation for a question that had puzzled me: why the Liberal Democrat members on Southampton city council had voted consistently for a return of powers, whereas their councillors, who represent the same people in the same wards, had reflected, they said, the views of the people by voting against the change, and, on the occasions when those councillors were one and the same person, managed to support both policies on two different councils. Despite the finesse of the analysis of the MORI poll, I suspect that what we heard earlier will lend itself more to numerous ambiguous statements in numerous *Focus* leaflets in different parts of the country than any serious analysis of what local people in different parts of the country want to happen.

[Mr. John Denham]

It is a matter of regret in Southampton that, unlike many other places—I acknowledge what other hon. Members have said—the Conservative party has not supported the return of powers for most of the past 20 years. It has taken a rather curmudgeonly attitude on this issue, which, no doubt, is why it is now in third place in the city that it once controlled. None the less, half the Conservative Members supported the change when it was recently discussed, and I welcome that.

Over recent years, the Labour leadership of the councils of many of the towns and cities that will now enjoy renewed powers has established public confidence in the idea that powerful unitary authorities can play a leading role in making those towns and cities successful. I believe that that is the case in Southampton. The case for a return of powers is based not simply on sentiment and historic identity, although historic identity and pride in it are important to us, but on a confidence that good local government with a clear-cut set of responsibilities, which is close to the people, can be most effective in shaping the future of the city.

The period between 1975 and 1984 was stagnant for Southampton. The Conservative-controlled council did little or nothing as jobs in traditional industries slipped away. The election of a Labour council in 1984 coincided with, and, I believe, helped to lead, a real revival and transformation in the city. I say "helped" to lead, because I am under no illusions that the role of councils is not just in the direct services that they provide, but in the quality of the partnerships that they build with other organisations and with other parts of the community, which constitutes real leadership of a city.

That has certainly characterised my city over the past 10 or 11 years. In that time, the old docks have been opened up for leisure and housing. We have seen significant new retail, office and industrial developments. New hotels have been established. New arts centres, the Mayflower theatre, the Gantry and the Harbour Lights film theatre have been built. The city has come alive with film, music and other festivals. There has been a significant expansion of community and sports facilities. The city council has worked closely and consistently with the private sector and the business community to build strong links with the European Union and the Russian federation. The council has worked particularly closely with neighbouring authorities, such as Bournemouth, Poole and Portsmouth in the south coast area, which will be important in developing our regional economy and its links with other parts of Europe. It has worked closely in partnership with housing associations to build new social housing, and with the private sector to open up flats above shops. It has one of the most successful records of any authority in the country.

We also have much to look forward to: a £250 million retail development in the city centre; I hope very much a new stadium for the Saints; a major expansion of the marine science and engineering industry, based, I hope, on the existing skills in the local economy and the new department of oceanography, which will move into its new building in the docks in the autumn; and, of course, the continued expansion of higher education at the university, at the Southampton Institute and the La Sainte Union college, which, as they have expanded, have played such an important part in the life of the city in the past five years.

What is important is not only the partnerships that have been formed but the style of local government, which has built public confidence in the future of the city. In particular, there is a deep commitment to decentralisation and devolution of power. Over the past few years, there has been a major expansion in the role of tenants organisations, so that they are not only consulted but are key players—for example, in determining matters as basic as the level of rents in the local council housing service, and in many of the issues on the local estates. Every area of the city is covered by community forums, which give local people direct access to council officers and the right to work with them without having to go cap in hand or with the leave of the local councillor to change and shape local services. I believe that that is the style of local government that will be appropriate to Southampton in the future.

It would be wrong to suggest that the relationship between Southampton and Hampshire has been poisonous, or one based on a total lack of co-operation. There have been many issues on which there has been good co-operation between the two authorities. I recognise that entirely. There have, however, been tensions, which I hope will diminish in the future. As the majority of members of the county are from rural and suburban areas, there has often been a difficulty for the county in recognising exactly what needs to be done in the major cities if they are to play a powerful and central role as regional centres for the local economy. There has been a failure to understand, most recently in the discussions about the Saints football stadium—the community stadium—the importance of such a development for the identity of a city: it is not just a place in which a premier league football team can play.

Problems have been caused simply by remoteness. Hampshire has 1.5 million people, and in an elected authority that means that the elected members are too far away from the people whose interests they are supposed to serve to have a real hands-on feel for what is happening in local decisions. The reality is that many of the decisions in Hampshire have been taken by local government officers who are quite removed from the local communities that they serve and from the members to whom they are nominally accountable. Although many of them are excellent professional officers, I believe that working under the guidance of a local authority that is much closer to the people will improve the quality of the services.

Mr. John Carlisle: Will the hon. Gentleman confirm that his local council is fully supportive of the move of Southampton football club to the site that it envisages?

Mr. Denham: If the hon. Gentleman means 100 per cent. of the members, that would be wrong, but an overwhelming majority of the city council is supportive, including all of the Labour group—the ruling administration—and two thirds of the Liberal Democrat group. Between them, that constitutes something like 36 out of 45 councillors. The proposal has had overwhelming support from the city council, and we have been very grateful for the firm affirmation by the Secretary of State for the Environment that the site chosen is the best site available in the local area.

The final problem in the relationship between the city and the county is one with which all Members whose councils have a two-tier structure will be familiar: the

sheer duplication. It is extremely difficult to explain to a local community why it takes two councils to paint a yellow line on a road, and often two to repair a pavement and to introduce a traffic calming scheme. The city looks forward to having new powers over education and social services and delivering those services in partnership with schools, voluntary organisations and the social services structure.

I should like to make a few comments about the problems that could be faced in the next two years. The arguments on the finances of the transition can go both ways. It is difficult to establish whether there will be a cash saving or a cash cost. The differences are at the margins of local government expenditure. In my view, the value for money that we shall seek from the change is not so much cash savings as the spending of funds more efficiently and more closely to the priorities of local people than happens under the existing two-tier structure. That will be the challenge for the new authority. Southampton city council will have to show that, working with the resources that it has, it can deliver services that are closer to what the people of the city want.

I am worried about what will happen in the next 18 months. The county council is desperately short of finance. I do not have fears, certainly on the present evidence, of the scorched-earth policy in Hampshire county council of which some hon. Members have spoken. However, this year it had to make cuts of some £20 million. Although the Minister may say that there is no budget settlement for next year, on current trends the council will have to make cuts of about £38 million.

Serious reductions in services, such as the abolition of the school meals service, are being contemplated by the county council. It would be a serious problem for the residual county council and for Southampton and Portsmouth if such damage was done to the quality of county services in the next year, that the new authorities were perceived as starting out with a lower level of services in 1997. I urge the Minister to examine those issues carefully when the budget settlement for local government is made next year.

It is important that the transition can take place in a way that ensures that there is a straightforward handover of services to the new authorities. Declining services and low staff morale should not be inherited by the new unitary authorities because that would make the job of establishing them much more difficult than needs to be the case. I hope that those issues will be taken on board seriously in the autumn when the budget settlement is reached.

6.52 pm

Mr. John Butterfill (Bournemouth, West): My constituency of Bournemouth, West comprises almost half the borough of Bournemouth and a significant part of the borough of Poole. I know from my consultations with people in both boroughs that an overwhelming majority of the residents warmly welcome the orders before us this evening.

There has been considerable tension for many years between the urban area which comprises the south-east conurbation—primarily Bournemouth and Poole—and the rural county that surrounds it. There has been for some time a feeling that many of those elected to serve in the rural county have little understanding of the needs and problems of an urban area and vice versa. That inevitably has created a certain tension. That tension has probably been more acute in Bournemouth than anywhere else.

Bournemouth previously had a proud tradition as a county borough. It ruled itself successfully and became a prosperous leading resort in the United Kingdom while it was a county borough. Therefore, there was considerable resentment when in 1974 it was plucked out of Hampshire and thrust into the rural county of Dorset, largely to provide rate product for an impoverished rural county. From then on, Bournemouth felt that its needs and concerns were not met within the county of Dorset.

However, a modus vivendi was established. It was always rather tense, but never more tense than it has become in the past couple of years since the county administration has been controlled by the Liberal Democrats. It says something for the strength of local feeling against the incompetent and insensitive administration that we now have in county hall that councillors of all parties—Conservative, Labour, independent and even the Liberals—in the boroughs of both Bournemouth and Poole are unanimous in their wish to escape from the grasp of the county administration run by the Liberal Democrats. It is hardly surprising that that should be so when one considers the record of incompetence that we have had to suffer in Dorset under their rather malign administration.

Mr. Rendel: Does the hon. Gentleman feel that the results of the local elections this year demonstrate that people have turned against the Liberal Democrats in Dorset?

Mr. Butterfill: I can only speak for the results in my constituency of Bournemouth, West, where we won a seat back from the Liberal Democrats. That fairly conclusively shows what the feeling is in my constituency.

It is true that the councils are united in their wish to escape from the grasp of the Liberal Democrats in county hall. It is true that the administration is incompetent. It is true that it is cutting services throughout the county and claiming that the cuts are the result of Government cuts. I have here a leaflet which says that reductions in library hours are due to Government expenditure restrictions. That is despite the fact that the Government grant to Dorset has been increased by almost £12 million or 4.7 per cent. in the current year. That is almost double the average for county councils.

The reality is that Dorset county council is spending more than £24 million above Government recommended levels on capital expenditure to build new schools to fulfil its election pledges, which were mind-boggling. They were simply bribes to the electorate. In order to fulfil those pledges, the council has had to cut all the other services. For example, it has cut the social services budget dramatically even though it has had a substantial increase of 12.6 per cent.—£8.8 million last year and £8 million again this year. It is blaming that on the Government.

Dorset county council has even cut the education revenue budget, the library budget and the fire service budget. It is spending huge sums of money that it has gained from the sale of assets. It has just agreed to sell—thank goodness—our local airport. The receipts from the sale will be about £7 million. When challenged to say whether it would use some of that money to restore the cuts that it made in social services, it declined to do so simply because it wants to keep its irresponsible election

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pledges on the building of new schools. Of course we all agree that we want to build new schools, but not all at once or all in one year.

Therefore, we shall be very pleased to escape from the grasp of Dorset county council. It claims to be a competent and responsible administration, but, in education spending it spent £660 per pupil per annum on central bureaucracy, which is more than most other shire counties, even though Dorset is assessed by the Department for Education as having one of the lowest needs to spend.

The root of the problem is that Dorset county council is incompetent. That is why we in Bournemouth and Poole will be glad tonight to escape from its grasp. We warmly applaud the orders.

6.58 pm

Mr. George Stevenson (Stoke-on-Trent, South): Someone said—the name escapes me for the moment—that a week is a long time in politics. *[Interruption.]* I hear one of my hon. Friends saying that it was Lord Wilson, who has sadly died. So 23 years can qualify as a long time. That is the period during which the people of Stoke-on-Trent have been campaigning for a return to their former status as a county borough. Therefore, the order covering Staffordshire and Stoke-on-Trent is extremely welcome.

One reason—by no means the only reason—why the people of Stoke-on-Trent have been campaigning for a return to their former status since 1974 is that that reorganisation has never been understood or accepted. If a local government structure is not accepted after all this time by the people whom it purports to represent, it is fatally flawed. We welcome the fact that after 23 years, albeit a long time, the Government have brought forward the order this evening.

The order is also welcome because the former county borough of Stoke-on-Trent had an excellent record in the provision of services. For example, nursery school provision in Stoke-on-Trent is by far the best in the county of Staffordshire. That is not because of developments that have taken place since 1974, because there have not been any. It is because the former county borough of Stoke-on-Trent placed nursery education at the top of its agenda and spent its resources accordingly. Stoke-on-Trent has excellent nursery services because of the actions of the previous county borough.

Despite the best efforts of Staffordshire county council and Stoke-on-Trent city council during the past 23 years, the present system simply has not worked. Therefore, we welcome and support the order. However, I have one or two points of concern to put to the Minister.

Before I do so, I refer briefly to the forensic analysis of the situation in Stoke-on-Trent by the hon. Member for Newbury (Mr. Rendel). The swathe of knowledge displayed by the hon. Gentleman about Stoke-on-Trent was staggering. It was exceeded only by what must be the most arrogant speech that I have ever heard in all my time in politics.

For the record, Staffordshire county council supports the change, Stoke-on-Trent city council supports the change, and business, industry, voluntary organisations and the people of Stoke-on-Trent support the change. The management of the Wedgwood factory, which is just outside Stoke-on-Trent, is so impressed with the unitary authority that it fought hard for the factory to be included in the unitary authority of Stoke-on-Trent and I am pleased that the Government accepted that.

All the political parties in Stoke-on-Trent support the change. In year after year of fighting elections in Stoke-on-Trent, the election addresses of all Labour candidates have included a pledge to continue to campaign for the restoration of powers in Stoke-on-Trent and the creation of a unitary authority.

Yet the hon. Gentleman has the temerity to suggest that the people of Stoke-on-Trent have not been consulted. Where does he think that we have been for the past 20 or 30 years? Does he really think that when we go back to our constituencies we sit in a little corner and make up our own minds? Will he at least have the good grace to accept the possibility that, as constituency Members of Parliament, we talk to the people whom we represent, or has that thought not occurred to the hon. Gentleman?

In the May elections this year, a continued commitment to and welcome for unitary status in Stoke-on-Trent was put on every Labour party election address and we won all the 20 seats available. That shows that the hon. Gentleman's suggestion that the people of Stoke-on-Trent have not been properly consulted and do not want the change is not only misplaced but arrogant in the extreme.

If the changes are to work—we all want them to work—there must be the maximum co-operation between the county council, the city council and the Government during the period of transition. The maximum amount of flexibility is needed to ensure that the change is made as smoothly as possible in everyone's interest so that the new authority can begin to work as effectively as possible from the day of the change.

Stoke-on-Trent already has in place a system of consultation and liaison between Staffordshire county council and the city. Progressive plans have been laid for the future which show the determination of Stoke-on-Trent city council to carve out a successful future for the area, and that despite the fact that the area has suffered enormous job losses as a result of pit closures, the halving of employment in the pottery industry, and so on. There is a need for considerable investment in the area.

The Government have an important role to play in the provision of such investment. The city has plans for private and public investment, but we desperately need the Government to be as flexible as possible in the provision of resources so that the great challenges that Stoke-on-Trent will face now and as a unitary authority can be effectively addressed.

There are two particular matters concerning resources that I wish to put to the Minister. The first reiterates a plea that has already been made by a Conservative Member for the relaxation of capping levels. If the Government simply transfer the present capping regime to the new unitary authority, not only will that show how damaging the capping regime has been previously, but it will be catastrophic. I hope that the capping regime will go, but that may be asking too much of the Government. At the very least, the capping regime should be examined and some flexibility shown.

The second matter relates to standard spending assessments. There is particular concern in Staffordshire, and certainly in Stoke-on-Trent, about the area cost

adjustment element of the SSAs. Representations on that have been made to the Government and I think that they have accepted that the area cost adjustment element is discriminatory and has to be reviewed. I make the plea this evening that if the new unitary authority in Stoke-on-Trent goes ahead with the same discrimination built into the SSAs on education and other services, it will remain at a distinct disadvantage compared with many other areas. We need assurances that the Government will take action on the area cost adjustment element of SSAs as they affect the new unitary authorities and as they will continue to affect the remaining county council.

I was a little worried when the Minister, in response to questions from two of his hon. Friends earlier, said that the Government intend to bring forward orders that will debar county councillors who retire at the end of April 1997 from having any input into the budgetary process before their retirement. I did not know of those plans, but they highlight a number of important issues.

I appreciate the Government's concern about budgetary considerations affecting the residual county council in the year following the transition; but such arrangements should not prejudice a fair distribution of resources from the county to the unitary authorities. We need an assurance from the Government that any move to deprive Stoke-on-Trent city councillors of an input into budgetary provision will not compromise a fair transfer of resources from county to city.

I assume that, during the transition period, the Government will be prepared to consider representations from the "shadow" authority, through its Members of Parliament, just as they would consider representations and delegations from the previous authorities.

The orders are warmly welcomed in Stoke-on-Trent, and I am sure that—despite the Liberal Democrats—they will be strongly supported this evening.

7.10 pm

Mr. David Lidington (Aylesbury): I, too, congratulate my hon. Friend and constituency neighbour, the Member for Hertfordshire, West (Mr. Jones), on his promotion. I also thank him and the rest of the ministerial team for the patience and courtesy that they have shown throughout a controversial debate in Buckinghamshire about the future structure of local government in the county.

Many different opinions have been strongly expressed in the debates that have taken place over the past couple of years. I confess that, at times—representing, as I do, a constituency that not only falls within the county council area but includes parts of three district councils—I felt as though I was in the line of crossfire between opposing trenches. Despite the strictures levelled at the order by the hon. Member for Newbury (Mr. Rendel), I believe that we are now discussing the reasonable outcome of that debate.

I appreciate that the hon. Member for Newbury may not have had time to study in detail the many Local Government Commission reports and orders on which he has commented. I think it fair to add, however, that the surveys conducted by or on behalf of the commission show a consistent theme: the majority of residents of the borough of Milton Keynes—between 50 per cent. and 60 per cent.—wanted an outcome that would give the borough unitary status. The controversy within Buckinghamshire centred on whether the area outside Milton Keynes should retain a two-tier system, as is now proposed, or should be divided into different unitary authorities. In my constituency, which includes the county town and nearby areas, there was a strong surge of opinion in favour of the status quo, but I should acknowledge that strong contrary views were expressed in other parts of the county—for instance, in High Wycombe and Beaconsfield.

A number of practical issues need to be tackled if the new structure is to be introduced smoothly. Like my hon. Friend the Member for Bedfordshire, South-West (Sir D. Madel), I am concerned about the future allocation of standard spending assessments and about supplementary credit approvals. I also share his anxiety, and that of my hon. Friend the Member for Luton, North (Mr. Carlisle), about the position of members of the existing county council who represent wards which, after 1997, will form part of a new unitary authority.

My understanding of the order was that elected county councillors would continue to sit on the county council and enjoy full voting and policy-making rights until the next county council elections in 1997. That would imply that those councillors—in the case of Buckinghamshire, those representing wards in Milton Keynes—would be able to participate in the setting of the budget for the financial year 1997-98, and hence in the determination of council tax levels for that year. Moreover, if—as I personally hope—the Government relax the present capping limits significantly, the potential difficulties created by that arrangement may well be aggravated. The position of Milton Keynes county councillors would not affect overall political control within Buckinghamshire, but I suspect that the circumstances would be different in other county councils where part of the county is being hived off as a separate unitary authority.

The Government have not yet been able to come up with a decision on the parishing of unparished areas, which was the subject of recommendations from the Local Government Commission. My hon. Friend the Member for Milton Keynes, North-East (Mr. Butler) has asked me to remind the ministerial team that parts of his constituency—and parts of the new unitary authority of Milton Keynes—would, under the current arrangements, remain unparished, while most of the area would be subject to parish councils; and that that distinction would appear, in his case, to be based less on strict logic than on the historic pattern of the development of the new city of Milton Keynes.

The Local Government Commission firmly recommended that Aylesbury, my constituency, should be parished, and that the proposed new town council should take over the civic responsibilities currently exercised by the charter trustees—and also act as a voice for the town, playing a role comparable to that played by parish and town councils representing the smaller towns and villages in my constituency.

I accept that Ministers must strike a balance. On the one hand, however, we need to find a way to allow the view of an authentic local civic community to be expressed in debates about planning, housing allocations and other matters discussed in the context of a particular district or county, while on the other hand we wish to avoid inventing a new system in which people are unnecessarily over-governed.

Those who responded to the commission's consultation exercise in Aylesbury said that they wanted a town council as a focus for civic identity, for ceremony and to

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give the town of Aylesbury a voice that it lacks at present, but which is enjoyed by such places as Wendover and Princes Risborough through the town and parish councils that represent those smaller communities.

Although the debate in Buckinghamshire has been intense and, at times, bitter, it is now of the utmost importance that all local authorities accept the decision that has been reached, and work together for the smoothest possible introduction of the new arrangements and the best possible system of local government. I know that Buckinghamshire county council intends to hold firmly to its promises to the commission and to the Government that it would try to enhance the local relationships between county hall and individual town and village communities in Buckinghamshire.

The county has much to be proud of in its history and in its record on the delivery of services. Each district council in Buckinghamshire has also sought to establish a tradition of providing efficient and cost-effective service. I hope that, despite the disappointment that the district councils in Buckinghamshire have felt at the Government's eventual decision, those councils will work to make a success of the new system.

If there is a Division tonight, I shall support the order, and look to the elected representatives of all parts of my county and of all political parties to ensure that the new system works well on behalf of the people whom we all seek to serve.

7.20 pm

Mr. Mark Fisher (Stoke-on-Trent, Central): This is an important, indeed, historic day for Stoke-on-Trent. Ever since it lost powers in 1973, the return of those powers, especially those over education, social services and public libraries, has been the dominant political and social issue in that city and, I suspect, in most of the authorities that will regain their powers with these orders tonight.

Like people in other regions and cities, we have campaigned, lobbied and argued for 23 years. When I say we, I mean industry, the voluntary sector and all political parties. There has been complete unanimity in Stoke-on-Trent, as, I think, the Minister and other Ministers in the Department of the Environment know from their visits to the city. That campaign has been ably, articulately and passionately led by the present leader of the city council, Councillor Ted Smith, and by its new chief executive, Bryan Smith. It has been an articulate campaign. All those people and everyone in Stoke-on-Trent is grateful to the Minister, to the commissioners and to my hon. Friend the Member for Holborn and St. Pancras (Mr. Dobson) for having got us to this position.

The reasons why we, like others, are anxious to regain our powers do not simply involve regaining control and grandiose ideas of running our own affairs. There are good practical reasons why a unitary authority offers benefits to a community. It brings government much closer to the people. That is especially important for education and social services, which involve personal service. Singular unitary authorities give a coherence of integrated services. Up to now, the interaction, particularly between housing and social services, has been separated in all these authorities. That has been a permanent source of grievance.

I would have thought that every hon. Member has constituents who come to them and say that they want a housing transfer so that they can be near their elderly parents, look after them in their parents' home, maintain their independence and not have them go to an old people's home. Potentially, that saves the local authority a great deal of money and makes a much better life for such people. When housing and social services are in two different authorities, however, often that is not possible. Indeed, no economic or other incentive exists for the two authorities to co-operate. The frustration that every hon. Member faces with such cases is nothing compared with the misery unnecessarily caused to people. There is an inability to bring together those two crucial services to make a difference to elderly people's lives because those responsibilities are split between two different authorities. There are therefore economic as well as human gains.

In almost all these cases, certainly in Stoke-on-Trent, by having a unitary authority, we are able in that authority to reflect a cultural identity and integrity of a region. In Stoke-on-Trent, the health authority, the travel-to-work area, the local radio stations and the local press all serve a coherent community, the responsibility for which up to now has been split between a county council and a city council. That just simply does not make sense and does not make for good government. There are therefore good practical, pragmatic reasons.

When faced by the scale of social problems that 16 years of this Government's neglect and hostility towards local authority education, housing and social services have caused, and the poverty and unemployment that we are experiencing in Stoke-on-Trent, we need all the coherence and efficiency in running our services to deal with those problems.

Of course, a unitary status is a cure-all for none of those communities. Good government or bad government is possible in any structure but at least unitary status and unitary authorities offer an opportunity to use money better, to get better value for money and to get closer and more personal local government. At least it gives the chance of eliminating one cause of inefficiency in local government, which occurs when two authorities follow strategies and policies that pull in opposite directions.

One or two wider points affect Stoke-on-Trent and probably go wider into national policies. For most of this century, there has been an anti-city trend in the urban policy, especially in relation to planning, of Governments of both political parties and of industry. There has been at best a scepticism about the viability of living in inner cities and often great hostility. It is reflected in the work of people such as Ebenezer Howard, and in the move to suburban living, garden suburbs, urban sprawl, ribbon development, depopulation of inner cities and the deindustrialisation of inner cities.

That trend has been going on throughout this century. Such trends are both reflected in and aggravated by responsibility for Stoke-on-Trent and for the big 11, as they were called—including Cardiff, Swansea, Southampton, Bristol, Hull and Portsmouth—being split between authorities that were rightly concerned about their rural populations, and authorities that had joint responsibility for cities.

It was impossible to deal coherently with that anti-city bias which has existed in both political parties for most of this century. While we have reflected that, Europe has been going in the other direction. Especially in the past

10 or 15 years, European cities such as Rotterdam, Amsterdam, Barcelona and Frankfurt have had a pro-city policy and strong coherent local government. They have rebuilt their inner areas, trying to attract people back to live there and to attract jobs back.

The difference between our attitude historically towards cities and European attitudes is especially important as cities are such a competitive business these days. All cities are competing desperately, both with cities in this country and cities in Europe, for the same pool of inward investment from the private sector, from Governments, and from the European Community. All are competing for visitors and tourists and fighting desperately for their economic future and their economic lives. Our cities have not had coherent, unified planning authorities. We simply have not been able to compete on an equal footing with other European cities, and it shows.

Hon. Members will know about this matter from visiting places such as Barcelona. The coherence of its city authorities is one of the reasons why it has been able to deliver high-quality living standards and a sense of purpose and profile that the non-metropolitan cities in this country—important European cities such as Nottingham, Cardiff, Swansea and Bristol—have had great difficulty in achieving. They have not been able to compete because they have been living a split life under local authorities. Non-unitary status has therefore held us back.

There is a knock-on benefit from the orders. Hon. Members on both sides of the House will have read the Council for the Protection of Rural England's report last week about urban sprawl. If we have strong local authorities which attract people back to live in the cities, it will help to preserve the countryside. It will be good for the environment; it will reduce the need for commuting and will reduce energy consumption through travel. That is the only way that the country can go. Whether deliberately or inadvertently, by providing the opportunity for much more coherent, positive and strategic planning of major cities such as Stoke-on-Trent and Southampton, the orders have enabled us to correct the balance and bring about a generation of pro-city policies which will be a big historic change for this country.

It is ironic that these orders now leave London in an extraordinary position. It is the only capital in Europe without a democratically elected strategic planning authority and it is the only city of any size in England that does not have single unitary authority status. It should be of concern to everybody in this country, regardless of whether one lives in London, that our capital city is held back from competing with Rome, Paris and the other world cities with which it should rightfully compete because it does not have the unitary status that we are, rightly, giving to the other major cities.

Those of us in Stoke-on-Trent are delighted by the orders and by the work that the commission and the Government have undertaken over the past few years. We know that there will be transitional problems and other hon. Members have already referred to them. I hope that the Government will look at the funding arrangements. This transition is not cheap and the Government have underestimated the costs. As my hon. Friend the Member for Stoke-on-Trent, South (Mr. Stevenson) said, the Government should at least look at relaxing the capping mechanisms and should look again at the area cost adjustments and the standard spending assessments. The transition is taking place in difficult times and I hope that the Government will be as constructive about that as they have been about other matters.

I hope that the Minister will look again at the barring plans for consideration of budgetary matters by councillors in city areas of the old county councils. If the Minister's edict is passed, he knows that Staffordshire would be put in an invidious position. The longest serving leader of a county council, Councillor Bill Austin, is a Stoke councillor and, in the last year of the old county council, we will be in an extraordinary position in that Councillor Austin will be unable to participate in the budgetary considerations of the local authority that he leads. I am sure that that will not be unique. The Government should look at that.

I think that we all understand that there should be transparency and openness, but I am not sure that barring is the only way to achieve that. The Audit Commission and the Government will need to ensure that the division of reserves and other matters is fairly and properly done. All authorities are aware of that, but there will be an important ring-holding role for the Government.

We know that as well as the technical problems there will be social problems surrounding the transition. As my hon. Friend the Member for Stoke-on-Trent, South has already said, our city council has made an early start and is anticipating the policy developments and initiatives that will be necessary. The city council is doing a good job talking to head teachers and those involved in social services in trying to get strategies up to speed.

As I have said, Stoke-on-Trent is enthusiastic about the orders and we are grateful to the commissioners and the Government for them. We cannot wait for April 1997, not least because that will almost certainly coincide with a Labour Government. The combination of a Labour Government and unitary status for Stoke-on-Trent in the annus mirabilis of 1997 will mean a positive future for the city.

7.33 pm

Mr. David Atkinson (Bournemouth, East): Like my hon. Friend the Member for Bournemouth, West (Mr. Butterfill), I want to record an unreserved welcome on behalf of my constituents for the Dorset order, in so far as it relates to Bournemouth. It puts right the injustice that was done to us in 1972 when the House decided to abolish the county borough councils. Until then, Bournemouth county borough council had proved to be one of the most efficient, low-cost, value-for-money unitary authorities anywhere, as was Southend-on-Sea county borough council on which I was serving at the time.

We jointly and fiercely resisted the Government's proposals at that time. We could not see how the remote control of all the major local government services could possibly be improved from county hall, even though those elected to represent us from Bournemouth undertook leading roles to make it work. I should like to pay tribute to Alderman Derek Scott, Michael Green and Jeanne Curtis who did so much in that respect for Bournemouth and Dorset at Dorchester.

Sadly, much of what was feared has been proved right. The county has failed strategically to plan for the explosion in demand for school places in Bournemouth, especially in our primary schools, and the problem facing those schools will be transferred to the secondary schools

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before the end of the decade. Despite that, the county closed the Beaufort school complex at Southbourne in my constituency just a decade ago. As we heard from my hon. Friend the Member for Bournemouth, West, it is now having to find sites for new schools.

There is growing concern about the provision of community care, especially for the elderly and disabled. The Liberal Democrat-controlled county council proposes to raise domiciliary charges by a massive 700 per cent. Recently, the county council irresponsibly abandoned plans to complete our inner urban highway which would link Wessex way to Dorset way and which had been planned by the former county borough council.

During this period under the control of the county council no service in Bournemouth has suffered more than the library service. During that time, no new libraries have been built in Bournemouth whereas Weymouth, Gillingham, Crossways, Lytchett Minster, Corfe Mullen, Ferndown, Littlemoor, and Creekmoor have all seen the erection of new libraries. Whenever the county wanted to save money it tried to close libraries in Bournemouth. For example, it tried to close Ensbury park in the constituency of my hon. Friend the Member for Bournemouth, West as well as Springbourne and Strouden park in my constituency. Fortunately, the plans were thwarted, mainly through local protest. Plans for the desperately needed new central library in Bournemouth have twice been cancelled at the last minute by the county council—once in 1974 and most recently in 1993. Among Bournemouth libraries, only Westbourne has seen any significant improvements.

As we heard from my hon. Friend the Member for Bournemouth, West, the opening hours of the libraries have just been cut and most are to see a further reduction of three hours a week in the current year. The council is seeking to blame the Government for that when it is entirely its decision and responsibility.

It was clear to all of us that Bournemouth had no future in Dorset. That is why the Local Government Commission found such widespread support for what is proposed in the order. I congratulate this Conservative Government on providing us with an opportunity to make a case for the return to a unitary authority. I want to record my thanks to the commission for accepting Bournemouth's case in full. I believe that Sir John Banham undertook a difficult job and that we should give him credit for the way in which he carried it out. I congratulate my hon. Friend the new Minister of State on his promotion and I thank him and my hon. Friend the Minister for Local Government, Housing and Urban Regeneration for accepting without compromise the commission's recommendations for Bournemouth.

We are now actively planning for a successful transition in 1997 with the full co-operation of the county council. I very much hope that when my hon. Friend the Minister of State sums up the debate, he will use the opportunity to confirm what my hon. Friend the Minister for Local Government, Housing and Urban Regeneration said in answer to my question to him earlier about the election timetable in Bournemouth. Are we to understand that elections to the new authority which takes over in 1997—elections to the shadow authority—will take place in May 1996 and that the present authority, which was re-elected this year, will continue to serve until the new authority takes over in 1997?

Whatever the outcome of those elections next year, I hope that men and women of calibre and experience, not least in managing multi-million pound budgets and in the purchasing of services, will be elected. Further thought should be given by my hon. Friends the Ministers about how to attract and encourage such people to offer themselves as candidates in those elections next year. We must seek to reduce further the amount of time that they will have to commit to local government service and the almost inevitable loss of income and career prospects that many of them will experience should they be prepared to stand for the new unitary authorities.

In conclusion, I am sure of one thing: the conduct of all local services from under one roof over the town hall will lead to their more efficient provision for my constituents. That will be to the eternal credit of the Conservative Government, led by my right hon. Friend the Prime Minister.

7.41 pm

Mr. Harry Barnes (Derbyshire, North-East): It was, perhaps, natural—a Pavlovian response—that, when the Government Whip saw me in the Chamber, he assumed that I was here to force a Division on the order that relates to Derbyshire, even though it is supported by the Labour Front Bench. It would not be unusual for me to act in that way, but I can assure him that I am content with the order. I am not a zealot who has come to the Chamber to argue against it. The order is entirely in line with my initial submission to the boundary commission when it began its investigations into Derbyshire.

The hon. Members who strongly dislike the order are the Conservative Members of Parliament who represent Derbyshire—and they are not present tonight. They dislike it because one of its consequences is that Derbyshire county council, less Derby, remains. They fundamentally and unreasonably oppose many of the actions taken by Derbyshire county council. They often argue in the House against the work that it does.

The Government are in an odd position in relation to the order. They are presenting it to the House now but, for three years, and until recently, they worked against what is now being proposed. They did not work against the proposal for a separate unitary authority of Derby, but they were against allowing Derbyshire county council to remain intact.

The first sign that action was being taken against Derbyshire was when it was revealed that it was to be examined by the boundary commission under the first tranche of proposals. Although the commission had to go back to the Government to obtain agreement, we had to consider the matter carefully and try to protect Derbyshire's external boundaries.

The parliamentary and local government boundary commissions were operating at the same time, and they were sending submissions to each other—partly to keep each other informed and partly to influence each other. The parliamentary constituencies in Derbyshire could have been changed and overlapped into other areas, which would have affected the shape of Derbyshire. My initial approach was to seek to defend Derbyshire's external skin and to argue that, whatever the structures inside it, Derbyshire had to be retained.

The boundary commission adopted three positions on Derbyshire. First, there was a report and recommendation known as the doughnut. The proposal was for two unitary

authorities in Derbyshire—one for Derby and the other for Derbyshire. The suggestion made local Conservative Members of Parliament blow their tops because they did not want Derbyshire county council to take authority throughout the area except Derby.

The second proposal was for unitary authorities in the north-east corner of Derbyshire—in the Chesterfield area—and in Derby and for the rest to consist of a strange two-tier structure that had no great cohesive qualities and wandered throughout Derbyshire. We finished up with a sensible system that anyone in Derbyshire could have said, right from the start, was reasonable.

During that process, the Government interfered, stage by stage. Sir John Banham admitted that there had been strong ministerial pressure to offer up Derbyshire for review after the commission recommended that there should be a Derby unitary authority, another unitary authority in the Chesterfield area, and the status quo in the rest of the county.

It took the High Court to prevent the Secretary of State from gerrymandering the Derbyshire result. Revised policy guidance issued by the Secretary of State sought to direct the commission to recommend unitary structures. Justice Jowitt in the High Court, presiding over a challenge brought by Derbyshire and Lancashire, ruled that the Secretary of State had acted unlawfully in trying to influence and constrict the commission. The High Court ruling was the turning point in the review, and enabled the commission to act independently.

The Secretary of State had made key mistakes. He tried to fiddle the political guidance and was caught out. That allowed the commission the freedom to make two other recommendations that had to be pursued. First, it recommended that the views of local people on the structure of their local councils were of paramount importance. Secondly, it suggested that the review of local government should deliver more effective and cost-effective structures.

MORI surveys conducted in connection with two of the reviews showed that local opinion was solidly behind the sort of structure that we now have. Only for Derby was it thought that the district should have its own unitary authority. Everywhere else, the overwhelming view was that the status quo should prevail. The areas in which there was the strongest feeling that things should be left as they were were those which, in the second review, it was considered should be changed to a unitary authority. The areas were Chesterfield, Bolsover and north-east Derbyshire, which were to be placed together in one area. That was not what was required—the view of local people was that the structure that had existed and served them well should continue.

Any greater unitary split had no local support, even from the then Tory-controlled district councils, and it would have cost millions of pounds to run. It is a shame that it has taken three years of utter disruption and £2.5 million of wasted resources to reach the conclusion that most local people would have come up with in five minutes.

There are problems about the future, many of which have been raised tonight. The transitional stage of a reorganisation requires carefully thought out provisions. We must ensure that there is proper assistance from Government Departments as well as from the local bodies.

The cost of transition must also be taken into account. In the case of Derby and Derbyshire, it was estimated at between £3 million and £5 million. On top of that, the state of the standard spending assessment has to considered, as many hon. Members have stressed. I endorse that view. Derby, as an area of great social deprivation, scores higher than the surrounding areas in what used to be termed the all-ages social index. That means that, without Derby, Derbyshire will receive less SSA per head.

I do not deny that a great deal of the extra SSA intended for Derby was spent where it should not have been, but that money was in a general pot, which helped to achieve economies of scale in Derbyshire county council. That factor must be added to other points about how SSAs are determined, such as the change in provision due to the area cost adjustment and the assessment of grants for fire services on the basis of the length of an area's coastline. There are not any coastlines in Derbyshire—it is in the middle of the country and cannot score on that count, yet moneys are initially ripped out of that area of funding.

I hope above all that, by recognising that it is sensible for Derby to have its own authority and for the rest of Derbyshire to be kept together in a two-tier authority, the Government will at last stop directing disgraceful and persistent attacks toward Derbyshire county council. The Secretary of State has attacked it time and again, but I shall cite only one example. On 15 June, when discussing council tax orders that had nothing whatever to do with Derbyshire, the Secretary of State said:

"The performance indicators"—

those of the Audit Commission—

"are simple to understand, and one of the facts that emerges clearly is the incompetence of Derbyshire county council, which, as I have said in the past, is and has been for many years one of the worst councils in Britain."—[*Official Report*, 15 June 1995; Vol. 261, c. 910.]

When one looks at the performance indicators, they tell us nothing of the sort. On average, Derbyshire county council finishes 18th out of 47 shire counties when assessed by the 10 performance indicators. The 10th indicator records the total expenditure per head of population—Derbyshire county council comes 27th. It is 27th in the list because it does not receive a reasonable SSA or Government grant. That 10th indicator should therefore be seen in terms of the services that the council provides.

For three of the performance indicators, Derbyshire county council comes first, second and third among shire counties. Today there has been a statement on nursery education. For nursery education provision for three and four-year-old children, Derbyshire is seventh out of 47 authorities, achieving 78 per cent. as opposed to a national average of 53 per cent.

The council is strapped for cash. The Government have directed the most horrendous policies towards it through the structure of the SSA and yet it provides good and decent services for its people. That is why it is re-elected time and time again. Conservative Members of Parliament who represent Derbyshire, and the Secretary of State and the people around him, should end their persistent attacks on Derbyshire county council. Derbyshire's problems are massive because of the standard spending assessment. For instance, 370 teaching jobs have been cut recently. Indeed, I could produce a list of difficulties that it has had to face recently.

In terms of structure, the order represents what the people of Derbyshire want and therefore it should be supported, but what will those councils be allowed to do?

[Mr. Harry Barnes]

What will Derby county borough, the district councils and Derbyshire county council be able to act on and provide? Honest, decent people are working away producing the best work that they can in very awkward circumstances. It is time that the Government moved in to assist them.

7.55 pm

Mr. Simon Coombs (Swindon): I am grateful for an opportunity to contribute to a debate which, by its nature, has been wide ranging—it involves a variety of orders that affect many parts of the United Kingdom. I hope that all hon. Members will tolerate the fact that what I have to say—I know that others have found themselves in the same position—relates to my own area of the country, which was referred to earlier as Thamesdown alias Swindon. I want, essentially, to speak in favour of the order. Certainly I want to speak in favour of the principle of the order although, as I shall explain, I have some reservations about its likely impact.

I should begin by explaining that I was a councillor in a county borough—Reading, in Berkshire—which ceased to exist in 1973 as a result of the previous local government reforms. In the three years during which I was a county borough councillor, it seemed that the principle of a unitary authority representing the people of its area and looking after all their needs was good. I thought that there might come a time when that principle could be extended.

Reading county borough council ran its affairs well. It avoided the confusion that derives from two-tier authorities and people not knowing which authority to turn to for different services. Not surprisingly, when Reading county borough council was abolished and became Reading district council for the first time—one of the six districts of Berkshire under Berkshire county council—services were duplicated in several areas and important schemes were delayed.

For example, once traffic schemes were approved by the district council, they had to go before the county council. After one set of professional officers prepared proposals, a second set would evaluate them. Sometimes, the second set of officers agreed with the first set, but sometimes they disagreed and sometimes they could not quite make up their minds, so they simply sat on the idea until it was too late to carry out the scheme. That was my first experience of two-tier local government.

As early as 1968, the Redcliffe-Maud report gave unitary authorities a very strong feeling of respectability. It was, perhaps, the first time that they had been given a true voice. I supported that idea at that time—a year before I became a county borough councillor—with enthusiasm. I prepared a report for my local Conservative party on the idea of unitary authorities in Berkshire. What an irony. Now, Berkshire is the only county in the country for which the idea of a unitary authority has been put forward, but it is inevitably subject to judicial review. Perhaps on that basis I should steer clear of the subject. I would say only that, at the end of such a long exercise undertaken by the Local Government Commission, it is strange that only one county has emerged with that old idea. To my way of thinking, that is a shame.

As I do not wish to bore the House with the history of my local government career, I shall come back to the present—at least to two years ago when we began the process of evaluating what might be the appropriate form of local government for the county of Wiltshire. The Government announced their intentions and that they were willing to listen to all strands of opinion. Indeed, the Government have heard all strands of opinion over the past two or three years. The cacophony of disagreement from all round the country has been sad to listen to.

In my innocence, I thought that unitary authorities were the way forward. My hon. Friend the Minister will notice a certain consistency in my views in 1968 and 1993. Bearing in mind the Government's desire to move towards enabling authorities and smaller local government, it seemed appropriate to conclude that, in the county of Wiltshire, with slightly more than half a million electors, two unitary authorities would be appropriate.

There could be one unitary authority for the north of the county, which is drawn together by the M4 motorway, has good links to London via the great western railway and has a community of interest among towns such as Swindon and Chippenham, which have grown tremendously during the past 20 or 30 years, and a second unitary authority for the south and west of the county, which is still essentially rural and based on beautiful towns such as Salisbury, Westbury and Warminster, but no—I had reckoned without the conservatism of so many people in the county of Wiltshire.

Hon. Members will recognise that my experience was by no means unique. Such conservatism meant that the county councillors said, "Let us keep the county council. It has served Wiltshire well." Indeed it has. In the districts, the view was the same but different. There, people said, "The districts are more than capable of providing local government services. Why not get rid of the county council and keep the districts?" Already the disagreements were mounting.

Needless to say, party politics played a part. No doubt the Liberal and Labour parties came to conclusions in their cabals and caucuses, and I make no secret of the fact that, on my side of the political divide, we looked at what might be desirable.

What emerged, in the traditional British manner, was compromise. Thamesdown, alias Swindon, had always had ambitions to go it alone. The town did not have unitary status in the arrangements before 1973, but it has grown so substantially since then that it saw itself as more than capable of handling its own affairs. Its population of 175,000 made that a serious possibility.

In Thamesdown, alias Swindon, there was a move for independence and, in the event, for whatever reason, the rest of the county was happy to say goodbye to it. Some people felt that, as the most rapidly growing part of the county, it had been given too much of the resources made available to local government by central Government. Others felt that the great town of Swindon was somehow not quite in keeping with the rest of the county. Many reasons were advanced, some privately and some publicly. The rest of the county said, "Let us soldier on together. Let us say goodbye to that great industrial city. After all, it has sometimes been described as a piece of the west midlands on the Wiltshire plain. Let us say goodbye to Swindon, alias Thamesdown."

So much for single-tier local government as a principle. Expediency triumphed, and the voice that emerged clearly from the county of Wiltshire in the end produced the hybrid principle enshrined in the Thamesdown order.

I do not want to give too grudging a welcome to the new arrangements. They look too much like the pre-1973 set-up, which I remember with affection and pride, for them to be all bad. I suspect, however, that the order will not constitute the last word on the topic. It would not surprise me if the House found it necessary to revisit the structure of local government in years to come. There will be problems in the transition, and I shall say a word or two about those in a moment, but I have little doubt that the subject will have to be revisited.

I shall raise two specific matters with the Minister. The first is the name that has been given to the area two thirds of which I have the honour to represent in the House. Since 1973, the name Thamesdown was given to what was previously the municipal borough of Swindon and the rural district of Highworth when the two were amalgamated under the 1973 reforms and became a new district council.

At that time, members from the rural parts of the new district—the Highworth rural district council area—insisted that they did not wish to be known as Swindon. It is for them, if they are ever to be allowed to speak again on that subject, to say why, but rumour has it that Swindon was not a place of which they could feel proud. They felt threatened by it, and therefore sought a name to distinguish the future from the past.

The mellifluous but rather vague name of Thamesdown was chosen because the new district ran from the river Thames at Lechlade in the north to the Marlborough downs in the south. From that day to this, it has been difficult for people who come from Thamesdown to explain to others where they come from. There was no move to rename the football team, for example. Most hon. Members will recognise the name of Swindon Town football club because of its heroic efforts in the premiership two years ago, including the double over Queens Park Rangers. Swindon is the name that has survived on the lips of virtually everybody who comes from the area, and I suspect that this is a good opportunity to suggest to the Minister that we revert to the old and trusted name of Swindon.

I believe that there is now a new feeling of pride in the town. It has changed enormously over the past 22 years and developed rapidly to become a modern high-tech town of which its citizens can be justly proud. You will not need to be reminded, Madam Deputy Speaker, that only this week the new cashless society started in Swindon with the Mondex pilot scheme. In that respect, Swindon has led the world into the 21st century.

Swindon continues to be proud of what it has to offer to television journalists who seek the vox pop there. Only last week they came to Swindon—where else—to ask for its views on the Conservative party leadership election. I am happy to say that the voice of Swindon was raised firmly in support of the Prime Minister, whose re-election I very much welcome.

Polls conducted in the local newspaper showed a massive majority in favour of the change of name to Swindon. Even a poll attached to the council tax demand produced a massive majority in favour of the change of name. If the people of Swindon can face an increase in the council tax perpetrated by their Labour-controlled council and still vote for the change of name, clearly that is what they want.

There is massive support for that change, so I hope that my hon. Friend the Minister will be able to answer the question asked by some of my hon. Friends about the process by which he thinks it appropriate for towns such as Swindon to achieve that happy outcome.

My hon. Friend will do me a kindness if he agrees to reconsider the ward boundaries in Thamesdown—or perhaps I could now call it Swindon. At present, Wiltshire county council is elected on boundaries that came into effect in 1993, but Thamesdown borough council's boundaries date back almost unchanged to 1976.

My constituency covers two thirds of the borough, and the effect of population changes in the town means that Toothill, the largest ward in my constituency, has more than twice as many electors as the smallest, Whitworth. The new county council wards address that imbalance, and I hope that my hon. Friend will address it too, recognising that equality between the electorates in different wards is a desirable end, which could be achieved by insisting that the new unitary authority, Thamesdown—or Swindon—will be elected as soon as may be on the revised updated boundaries, not the old ones.

I must address a point about the difficulties of transition. I make no apologies for quoting a letter that was sent to me in March by the chairman of governors of a secondary school which lies just outside the borough, but which takes 45 per cent. of its students from within the borough of Thamesdown. The letter refers to a meeting between the head teacher, Ian Perkins, and the chairman of the governors and writer of the letter, Francis Young, with the then leader of the Labour group, and therefore the leader of Thamesdown borough council, Tony Mayer.

The letter stated that Bradon Forest school wishes to maintain the status quo, and that 45 per cent. of students come from west Swindon by choice. Wiltshire county council pays for transport to the school, and the school buys into the administration of entrants through Sandford house, the county council's administration centre.

The letter continues:

"These students mean that the school can maintain a roll of approximately 1000 enabling it to be able to offer a wide curriculum and excellent special needs arrangements."

At the meeting, Mr. Mayer said that it was likely that

"a new authority would continue to provide transport for students already on roll, but new students—possibly from September 1997—would have to pay. Free transport would be provided to schools with space in other parts of the authority regardless of the standard of the school and distance.

He also mentioned the construction of a new Secondary School in the northern sector"—

a new development of 10,000 houses in the northern part of the borough—

"to 'absorb' the students from Bradon Forest. Again the distance would be far greater."

Mr. Mayer obviously did not like the fact that the school is grant-maintained, and said so. The letter continues:

"We were greeted with 'you made your bed now you will have to lie in it' and 'we would certainly have viewed you differently if you had been an LEA school'.

As far as we are concerned going Grant Maintained was, and is, the right thing for the school. We are again oversubscribed this year.

The effect on our school if Mr. Mayer's plans go ahead would be devastating. The school would halve in size—probably more so, given the fact that the reduction in size would also reduce our curriculum range which would in turn make us less attractive to parents. The effect on teachers jobs would be appalling.

[Mr. Simon Coombs]

> Bradon Forest is a good school and achieves excellent results in all areas. (As I write this 14 year old Jenna Arrowsmith, one of our students, is competing for England in the senior women's figure skating world championships in Birmingham).
>
> Above all, the proposed changes remove the choice for parents of where to educate their children—this I think is a key issue.
>
> Simon, I cannot think that the devastation of an excellent comprehensive school for the sake of local politics is in anyone's best interest, least of all the children it educates and their parents.
>
> I apologise for the length of this letter but do not apologise for the passion behind it."

I apologise to the House for reading such a long extract, but my hon. Friends will understand why I felt it right to do so. I took the matter up with Ministers, and received an assurance that section 55 of the Education Act 1944 guarantees free transport in such a way as to make the suggestion put forward by Mr. Mayer outwith the law.

Similarly, I was able to reassure Mr. Young and Mr. Perkins that any attempt to force a secondary school out of existence purely out of malice and without regard to the viability of other secondary schools in the area would be subject to appeal—ultimately to the Secretary of State for Education and Employment.

Mr. Mayer is no longer a councillor, as he retired at the local elections, but he has announced his intention to seek a parliamentary seat. So much for new Labour. If that is what we have to look forward to from new Labour, people in Swindon and the rest of the country will be much better off without it.

I support the order because it will be right for the people of my constituency to find themselves with a single point of contact for local government services, but I fear that we shall return to these matters, and I shall have no hesitation in doing so if Labour councillors and those who support them seek to harm the interests of my constituents or their children in the future.

8.15 pm

Mr. Eric Illsley (Barnsley, Central): This has been an interesting and good-humoured debate on the subject of the new unitary authorities. The Opposition welcome the orders, which arise out of the local government review which established 11 new unitary authorities. Most hon. Members have welcomed the orders, and have spoken for their individual constituencies.

The two dissenting voices were the hon. Member for Eastbourne (Mr. Waterson), who did not oppose the idea of unitary authorities but perhaps wished that the Local Government Commission had looked at Eastbourne as a case for a unitary authority. The hon. Member for Newbury (Mr. Rendel) opposed some of the orders, but not others. He misjudged the mood of the House by basing his opposition to the orders on the contents of MORI polls, rather than on the feelings of hon. Members who had judged the views of their constituents.

The hon. Members for Luton, North (Mr. Carlisle) and for Bedfordshire, South-West (Sir D. Madel) welcomed the order which relates to Luton, and the latter called for an end to the capping to enable the new Luton authority to get a good start and address itself to measures to regenerate the Luton area. Speaking as a Member who represents a former mining area and whose local authority has been a metropolitan, and therefore unitary, authority for the past few years, I can tell the hon. Gentleman that the new local authority faces some difficult tasks ahead if the experience of Barnsley and other mining areas is anything to go by.

My hon. Friend the Member for Darlington (Mr. Milburn) gave a warm welcome to the Darlington order, while the hon. Members for Bournemouth, East (Mr. Atkinson) and for Bournemouth, West (Mr. Butterfill) welcomed the order which relates to their area. My hon. Friends the Members for Stoke-on-Trent, South (Mr. Stevenson) and for Stoke-on-Trent, Central (Mr. Fisher) gave gushing welcomes to the order in respect of Stoke-on-Trent.

The Opposition believe that the 11 new authorities meet the criteria that we have maintained are necessary for the creation of unitary authorities. The authorities need to be viable, and the Local Government Commission supported that principle. The average population size of all the new authorities is about 187,000, and the authorities will be large enough to provide a full range of local government functions and services. Many of the authorities fulfilled exactly that function before 1974. They also have to be able to carry out their functions without recourse to contracting out.

One other criterion that we put forward was that of all-out elections before the establishment of the authorities, and the orders also meet that criterion. The authorities which are born out of the orders are based on the consistent principles for which the Opposition have argued and are in accordance with the legislation and the policy guidance that was restated in the Local Government Commission report that was published in March this year. I shall not refer to the guidance at any length, but I shall simply mention the fact that the Government and the commission attached great importance to local consensus. It would appear from the contributions this evening that there is much consensus for local unitary authorities in the areas under consideration.

One of the commission's assumptions and criteria was that unitary authorities and the review of local government would strengthen local government in England and not weaken it. That should be the case, but local democracy should be strengthened as well. We want a return to accountable local government without central control and without local authority powers being hived off to quangos. In that respect, I support the hon. Member for Bedfordshire, South-West in his call to end capping which other hon. Members repeated.

We hope that staff transfers will be available to all staff who want to transfer from an old authority to a new one. I understand that a voluntary agreement is already in place between the Association of District Councils and the Association of County Councils, which includes a 100 per cent. staff transfer. We hope that that can be honoured and implemented as far as possible, although we realise that there is bound to be some duplication in the services provided by the county authorities and the new unitaries. We also hope that the Government will ensure that adequate compensation and redundancy packages are available to those who face redundancy.

There are a number of arguments in favour of unitary authorities and most hon. Members who spoke were in favour of unitaries. They are more accountable, as it means one council tax, far easier to understand and far more accountable than a confusing two-tier structure. People will realise which level of government provides

their service. The system is also more democratic. Local communities will have a greater say about the functions that were determined by county councils some distance away and unitary authorities will be more responsive, with local elected councillors better placed than the more remote county councillors. The authorities will be more efficient and, perhaps, more stable.

We are discussing large, urban, focused authorities, which all have a strong local identity and an average population of more than 187,000. Five are major cities—my hon. Friends the Members for Derbyshire, North-East (Mr. Barnes) and for Southampton, Itchen (Mr. Denham) made a strong case for their cities. Eight of the 11 authorities that will be created once had county borough status and, therefore, will have powers and responsibilities restored to them. Nine of the 11 are larger than the smallest unitary authorities in London and the smallest metropolitan authorities. Most have different characteristics from the remainder of the county area. We heard, for example, from my hon. Friend the Member for Itchen about the difference between that city and the structure of the county in which it is based.

All the authorities are urban, which will allow the remaining county authorities to concentrate on the rural needs of the county. Each authority will have self-governance restored and, as I said, each is capable of providing a full range of services.

All the authorities have public support. Hon. Members made that clear and the local knowledge of hon. Members is better evidence than MORI polls, to which the hon. Member for Newbury (Mr. Rendel) referred at some length. There is strong support for both the principle of unitary authorities and the specific proposals.

On costs and savings, the Local Government Commission estimated that the changes will be cost neutral, but there will be transitional costs of between £3 million and £5 million per authority, which will be funded through borrowing.

One matter on which I can agree with the hon. Member for Newbury is the concern expressed, especially by the ACC, about the continuing costs to county authorities where services are transferred to unitary authorities. For example, the hon. Member for Bedfordshire, South-West mentioned the county-wide library service, which is based in Luton. Bedfordshire believes that the service will involve it in some costs.

The ACC also believes that counties will be restricted when applying for supplementary credit approvals. Perhaps the Minister will comment on whether it will be difficult for the counties to obtain such finance.

There are also concerns that the commission's estimates might be on the low side, judging from the experience of the other newly created authorities in Avon, Cleveland and Humberside.

I share the concerns that have been expressed on standard spending assessments. I have always believed them to be unrepresentative and unrealistic and they are badly in need of reform. The Government should ensure that the SSAs for the new unitary authorities are calculated properly and assess their needs, to enable them to get a fair start.

We believe that the orders should be passed tonight and we will not divide the House on any of them. We hope that the new authorities will prosper and be successful. For many, it is a return to the situation before 1974, when they were county boroughs, and we wish them every success.

8.25 pm

The Minister for the Environment and Countryside (Mr. Robert B. Jones): First, I must thank my hon. Friends for their kind comments of congratulation, which I very much appreciated, particularly those of my hon. Friend the Member for Bedfordshire, South-West (Sir D. Madel), because he is my constituent and I always like it when my constituents are pleased about something that their Member of Parliament does.

As the hon. Member for Barnsley, Central (Mr. Illsley) said, this has been a good-humoured debate and there has been much to unite both sides of the House. I welcome that fact. Hon. Members had matters that they wanted to raise in response to the situations in their areas, and some common themes ran through the debate, with which I hope to deal in my response.

In some ways, the debate reminded me of a series of maiden speeches. Pretty well every hon. Member took the opportunity to describe the glories of the areas that they represent and good for them, because that is one of the great joys of our electoral system. We are there to take a pride in our constituencies and not simply to be numbers in a manipulative game, as the hon. Member for Newbury (Mr. Rendel) would like. We would not then have such a relationship with our constituents.

My right hon. Friend the Member for Hove (Sir T. Sainsbury) made the first general point, which concerned names, in an intervention on my hon. Friend the Minister for Local Government, Housing and Urban Regeneration. Central Government do not have powers to determine what the names should be and I do not believe that we should. The names in the orders reflect the commission's recommendations. In the case of my right hon. Friend, the recommendation was for Brighton and Hove and it is up to the elected members of that authority to decide whether they are content with that name or want another. Plenty of authorities have changed their names since the reorganisation in 1973-74, but a change requires a two-thirds majority of council members and I do not know the figures in Brighton and Hove. My strong suspicion is that Brighton alone would not have sufficient weight to dump the name Hove and I think that politicians from the Brighton end would be well advised to bear in mind the fact that a balance in an authority's name is as appropriate as it is in any other aspect of the authority. If I were my right hon. Friend, I would not worry.

Similarly, my hon. Friend the Member for Swindon (Mr. Coombs) asked about the position in Thamesdown. For the same reason, we could not declare the name to be Swindon, but if the newly elected authority votes by the right majority, it will be able to change it. I rather suspect that that might be the pattern. Having described the appropriateness of naming the football team Swindon and having said that there was no Thamesdown football team, he spoke about Queens Park Rangers. We do not propose, in the orders before us or any future orders, to name any local authority Queens Park Rangers. The name must be what the local authority wants.

A second general argument that was made was a ceremonial one by the hon. Member for Southampton, Itchen (Mr. Denham). We want to resolve that matter so that everything works smoothly. There are some issues to be tackled. Hampshire is unlikely to be a problem, as the two cities there have historically been in the Hampshire area, but that is not always the case. We have had a tricky

[Mr. Robert B. Jones]

position in Cleveland, where one of the districts comprises parts of the former Durham and parts of the former North Yorkshire.

As my hon. Friends the Members for Bournemouth, East (Mr. Atkinson) and for Bournemouth, West (Mr. Butterfill) will acknowledge, there is also an issue about the boundary, in ceremonial terms, between Dorset and Hampshire. We shall try to resolve that as speedily as possible, and I hope with common sense. Obviously, that depends on the representations that we receive.

My hon. Friend the Member for Aylesbury (Mr. Lidington) mentioned parishes. The policy of the Government until now has been as described in a circular, the number of which I cannot remember, which relates to populations and so on. We feel that that was too rigid an approach. Obviously, it is difficult to have a parish council in a local authority area where that parish council might, for example, cover 80 per cent. or 90 per cent. of the population, as is the case in one district where that has been considered. At the other end of the scale, it is a bit silly to rule out an area having a parish council simply because it has 21,000 residents as opposed to 20,000. Therefore we are considering in some detail the policy and the way in which it will apply, but we shall obviously consider all the areas on their merits.

There is, however, another rub to that, in that the commission has not recommended, or even considered, the parishes in every area. Therefore we need to decide at some stage whether it would be appropriate to ask the commission to consider a specific area in the parish context. We shall bear all that in mind before announcing our decisions, although I hope that that will be soon because I know that the issue rouses considerable interest in the places affected.

My hon. Friend's focus on parishes reminded us how easy it is for us to speak about the two-tier system. We should be aware of the fact that it is a three-tier system, and that parish councils and town councils are very important organisations.

It is hardly surprising that finance was an important theme running throughout the debate. We shall consider all types of matters. We want to have a careful look at the transitional costs, and at the supplementary credit approvals for which local authorities apply. We must achieve the right balance between ensuring that the transition runs smoothly and not fuelling an expansionist mode by some local authorities, which was associated to some degree with the reforms of the early 1970s. It is not easy to get that right, and we must judge the SCA applications of each authority on the merits of the case that it makes. That will relate to things such as software, hardware and offices as well as other issues.

On SSAs, hon. Members have made two sets of arguments, one relating to the SSA system in general and the other relating to the way in which SSAs would be affected by reorganisation. On SSAs in general, we try to ride the two horses, which have two ends, like most animals. *[Interruption.]* I shall tell the hon. Member for Itchen what I mean, because they are very different from one another.

Local authorities want to have both a fair system, which implies complexity, and a simple system. They want to have a system that changes in response to different circumstances and they want continuity and no turbulence. It is very difficult to ride both those horses at the same time. It means that we must steadily overhaul the system to ensure that we take into account the representations that are made, but we must not keep shaking the system up to such an extent that it becomes difficult for local authorities to live in it.

The hon. Member for Stoke-on-Trent, South (Mr. Stevenson) made a specific argument about the area cost adjustment. Another hon. Member mentioned that, and it is being considered. It is not discriminatory in the sense that the hon. Gentleman means it. It is certainly distinctive, but it reflects real evidence that costs are different in the places that receive it. I do not know of anyone who has suggested that that is not the case. However, people may believe that the costs are not as great or that they are greater, and we must consider that before making any changes.

On the effect of reorganisation on SSAs, there will have to be disaggregation. We shall speak to the individual local authorities about the way in which we envisage that occurring, to try to resolve the difficulties. If necessary, we shall have to consider whether some transitional scheme should be put in place. We shall do that on the basis of the evidence submitted to us as we go along, which is the only fair way to go about it because there is not a great deal of evidence at the moment. We have done some preliminary studies with different local authorities, but I do not claim that those are perfect, and we must await what emerges from further work.

Budget setting was mentioned from opposite points of view by the hon. Member for Stoke-on-Trent, South and my hon. Friend the Member for Aylesbury. It would be wrong, for reasons of accountability, for members who represent an area that will not be in the residual county to have a strong say in the setting of budgets after it has disappeared, but there are problems. Therefore we have formulated a consultative document about that. We shall make a decision, taking into account the representations that are made by local authorities and the arguments of the hon. Member for Stoke-on-Trent, South and others during the debate.

The hon. Member for Stoke-on-Trent, Central (Mr. Fisher) made an argument about city versus country. It is not as simple as that, because authorities do not simply consist of big cities and rural counties. Those rural counties often consist of suburban areas or largish towns in their own right, or mining villages, which are not necessarily the same as agricultural areas because they are different economically.

It is inevitable that there will be a debate in individual authorities about the balance of expenditure in one part or another. For goodness sake, we were reminded of that recently in the Monklands context, in what Professor Black said about Coatbridge and Airdrie. There is nothing that central Government could or should do to determine the way in which an authority spreads its spending across its area. That is rightly a matter of local accountability. However, we wish to ensure that in the reorganisation there is a fair balance between the authorities that come about as a result of those orders, and no doubt others to come.

Co-operation is much more important than conflict in that regard, and I welcome what several hon. Members have said about the way in which local authorities are getting on with the job. The hon. Member for Darlington (Mr. Milburn) made that argument in respect of Durham county council. He fairly paid tribute to the council for

the work that it has done over the years. There have always been tensions in the system, as we all know, but that does not mean that those tensions must be all-enveloping. I hope very much that there will not be big rows about that and that all will be resolved satisfactorily, but we must wait and see.

Staff are one of the most important elements of local government. They provide the service and, by and large, they do a pretty good job. We believe that we have achieved the right balance in what we have done, but we must monitor the way in which it works out in practice—such as whether local authorities are fair in their interview procedures—and we stand by to take appropriate action if necessary.

That brings me to the speech of the hon. Member for Newbury. I thought that he was pretty well sunk by my hon. Friend the Member for Bournemouth, West, but he was wallowing in the water when there was another broadside from the hon. Member from Stoke-on-Trent, Central. I never like to interfere in spats between old Etonians; as a player, I would rather let the gentlemen get on with it. But both my hon. Friend the Member for Bournemouth, West and the hon. Member for Stoke-on-Trent, Central made a vital point about how we reach our conclusions: it is real people and weighing opinions that count, not opinion polls.

I have no desire to end up in the position of my right hon. Friend the Member for Loughborough (Mr. Dorrell) in being asked about the films that he likes or dislikes, but I shall recommend one film to the hon. Member for Newbury. It is a Peter Cook film called "The Rise and Rise of Michael Rimmer", about the ruthless way in which that gentleman sought to get to the top in politics using opinion polls. In that film, the opinion poll system of working out what people thought and did not think was completely shipwrecked by employing large numbers of people to go to the city of Coventry and say when asked that they were Buddhists. The opinion poll then came up with the result that 95 per cent. of the citizens were Buddhists, which wrecked the credibility of the opinion poll.

Mr. Rendel: Is the Minister suggesting that the Local Government Commission, which his party set up, was so foolish as to use opinion polls, the results of which were fraudulent on the ground that somebody, presumably the Local Government Commission, set people up to give the right answers?

Mr. Jones: The hon. Gentleman takes himself too seriously. I simply point out that opinion polls are not the be-all and end-all and that I prefer to make decisions on the basis of evidence submitted and the balance of opinion. It is not a black or white issue. We all know that there are splits in political parties on this matter. We all know that county councillors and district councillors in the same area will express different views and adduce evidence to support views that they consider overwhelming. In many cases, however, it is a balance of argument and not an easy matter.

I am only pleased that, ultimately, we have succeeded in presenting orders to the House this evening which have commanded the general approval of hon. Members who have spoken. My hon. Friends the Members for Bournemouth, East and for Bournemouth, West welcomed what was being done in their area. My hon. Friends the Members for Swindon, for Aylesbury, for Bedfordshire, South-West and for Luton, North (Mr. Carlisle) did likewise. Although my hon. Friend the Member for Eastbourne (Mr. Waterson) was disappointed, that was inevitable unless we are to look at every area again. On the other side of the House, the hon. Members for Stoke-on-Trent, Central, for Stoke-on-Trent, South, for Darlington, for Derbyshire, North-East (Mr. Barnes) and for Itchen spoke for their areas.

On that basis, I think that this is a pretty good package and I commend it to the House.

Question put and agreed to.

Resolved,

That the draft Wiltshire (Borough of Thamesdown) (Structural Change) Order 1995, which was laid before this House on 15th June, be approved.

Resolved,

That the draft Staffordshire (City of Stoke-on-Trent) (Structural and Boundary Changes) Order 1995, which was laid before this House on 15th June, be approved.—*[Mr. Bates.]*

Resolved,

That the draft Durham (Borough of Darlington) (Structural Change) Order 1995, which was laid before this House on 15th June, be approved.—*[Mr. Bates.]*

Resolved,

That the draft Derbyshire (City of Derby) (Structural Change) Order 1995, which was laid before this House on 15th June, be approved.—*[Mr. Bates.]*

Resolved,

That the draft Bedfordshire (Borough of Luton) (Structural Change) Order 1995, which was laid before this House on 15th June, be approved.—*[Mr. Bates.]*

Resolved,

That the draft Buckinghamshire (Borough of Milton Keynes) (Structural Change) Order 1995, which was laid before this House on 20th June, be approved.—*[Mr. Bates.]*

Resolved,

That the draft Dorset (Boroughs of Poole and Bournemouth) (Structural Change) Order 1995, which was laid before this House on 22nd June, be approved.—*[Mr. Bates.]*

Resolved,

That the draft East Sussex (Boroughs of Brighton and Hove) (Structural Change) Order 1995, which was laid before this House on 22nd June, be approved.—*[Mr. Bates.]*

Resolved,

That the draft Hampshire (Cities of Portsmouth and Southampton) (Structural Change) Order 1995, which was laid before this House on 22nd June, be approved.—*[Mr. Bates.]*

EUROPEAN COMMUNITY DOCUMENTS

Motion made, and Question put forthwith pursuant to Standing Order No. 102(9) (European Standing Committees),

Cinema and Television Films

That this House takes note of European Community Document No. 6398/94, the Commission's Green Paper on strategy options to strengthen the European programme industry in the context of the audiovisual policy of the European Union, and supports the Government's overall approach towards fostering a competitive and healthy audiovisual sector; and of European Community Document No. COM (94) 523, relating to two draft Council decisions on the implementation of the MEDIA II programme on training for audiovisual professionals and on the development and distribution of audiovisual works; takes note of the outcome of the negotiations in the Culture/Audiovisual Council of 21st June, at which a common position was reached on both decisions; and supports the Government's approach to these and subsequent negotiations.—*[Mr. Bates.]*

Question agreed to.

Motor Industry Block Exemption Scheme

Motion made, and Question proposed, That this House do now adjourn.—*[Mr. Bates.]*

8.43 pm

Mr. Stuart Randall (Kingston upon Hull, West): The relationship between motor manufacturers and their dealer networks is determined by an arrangement called the block exemption scheme. The scheme is defined by the European Commission under procedures that result in the European Parliament having limited opportunities to intervene and influence. Although the Commission has just produced a new version of the block exemption scheme, which comes into operation in October, the principles on which it is based remain the same. That means that there is no free market in the operation of the relationship between manufacturers and dealers. On the contrary, the block exemption scheme is skewed very much in favour of manufacturers, which gives them considerable powers over dealers.

My main reason for initiating this debate tonight is to present to the House and the public details of the abuse of those powers by certain car manufacturers, particularly Fiat UK Ltd. Fiat has been attempting to rationalise its dealer network, which seems a perfectly reasonable thing to do. After all, it is in the business of making cars and must make a profit. So nobody would argue with that. What is unacceptable, however, are the unscrupulous and highly discriminatory methods that it uses to control its dealer network.

Fiat has terminated franchise agreements with some of its smaller dealers just because they are small. The fact that they have been loyal dealers for 20 or 30 years and have performed excellently is not relevant to Fiat. When Fiat decides to terminate a franchise, it generally does so in a way that results in the total destruction of the dealership concerned. The businesses often go into liquidation and the owners, who may have spent their lives building up the businesses, are often ruined. The result is also the loss of jobs and livelihoods for employees. All that adds up to an abuse of power by manufacturers through the block exemption scheme. Because no free market is in operation, dealers do not have freedom of action to protect their interests.

Before I became a Member of Parliament, I spent 25 years in business, including a spell in the motor industry for three and a half years. As a result, I strongly believe that when an organisation such as a big multinational car manufacturer is given powers via the block exemption scheme, it should take on certain responsibilities. Fiat has shown a disgraceful lack of responsibility and is bringing considerable discredit to the motor industry. A key complaint against Fiat—I have had an unbelievable number of complaints—is that it deliberately pursues a policy of undermining small dealers by terminating their franchises for no cause other than to replace them with larger groups. Moreover, it does so without offering compensation.

All dealer agreements contain a provision for termination, which, at this point in time, is usually 12 months, although that will change. However, under domestic law, Fiat has the right to terminate at will, and it certainly does. What disappoints me is that, under the revised block exemption scheme, the power to terminate in that way will remain. That means that a manufacturer can terminate a franchise at any moment without giving a reason. Termination should at least be based on breach of contract or objectively valid grounds, and we are far from that in the motor industry. Instead, there is no legal base in the block exemption scheme for challenging termination.

EU law provides for equal treatment by manufacturers of their dealers, regardless of size. In practice, that means that the terms of trading should not be conducted in a way that discriminates against a dealer purely on grounds of size. Fiat, however, ruthlessly ignores those laws and resorts to large-scale discrimination in a disgraceful way. For example, it has supplied cars at a greater discount to large dealers, set unrealistic targets for small dealers and set minimum sales levels in circumstances where a much larger discount has been given to larger rivals. The European Commission should not allow Fiat to get away with such dirty tricks. Does the Minister condemn the breaking of EC law in that way?

Dealerships devote their own time and money to develop expertise in Fiat products to meet the conditions of their franchise agreements, only to find the rug pulled from under their feet by the policy operated by Fiat. In terms of fairness and reasonableness, the actions of Fiat are extreme and without moral justification.

Fiat's directors, especially Ian Rowlands, have sought to justify their actions by reference to their rights under the dealer agreement. He told me that Fiat has powers under the block exemption scheme which it intends to use in its commercial interest with no reasonable regard to the dealers' interest and well-being. Many dealers have worked for Fiat all their working lives.

Lancia, which is owned by Fiat, is terminating all of its dealer agreements and withdrawing from the United Kingdom. Most Lancia dealers are also Fiat dealers. Termination of the Lancia franchise came as a complete surprise to most dealers. The reputation of Fiat has suffered as a result. No compensation has been offered to those dealers. In addition, Fiat lied by suggesting to various companies that Lancia was in Britain to stay.

What prompted me to initiate this debate was the dreadful treatment that a company in my constituency, AB Motor Company of Hull, received from Fiat UK. It was established in 1919 and is the oldest established motor company in Hull. It had a very successful track record for 75 years, right up to the time when the franchise was terminated by Fiat. It has had that Fiat franchise since 1971 and the agreement was renewed in 1986.

When the agreement was renewed, Mr. Trevor Good, who was the proprietor of AB Motors in Hull, was advised by his lawyers not to sign the agreement as it offered no protection to the dealership. However, if Mr. Good refused to sign, he would no longer be a dealer and his business would have to close down. He had no option but to sign the franchise agreement, which was so stacked against him.

Fiat terminated the franchise without giving reasons and then undermined the company during the notice period. While AB Motors still held the franchise, Fiat released all of the fleet listings, which are the lists of customers, to a competitor. The revenue of AB Motors completely collapsed. Fiat also encouraged discriminatory advertising in the local press during the termination period by another Fiat dealer, which damaged AB Motors by suggesting that it was no longer a Fiat dealer even though that was not true. That had a massive impact on the revenue stream, which dropped immediately by 40 per cent.

This may sound strong but I have a long list of other cases, which, clearly, I cannot go into during the debate. However, I would like to touch on one or two so that the House realises that there is a lot of beef behind what I am saying. Mr. Christopher Keeley, chairman of Datchet Green Motors, had a Toyota dealership. He had just invested £80,000—the points that I am making are the allegations of the people concerned—in the business on the understanding that Fiat would continue the dealership. When the termination threat came, no compensation was offered.

Mr. S. Davies of Altrincham said that the problem with the block exemption scheme, whatever its terms, in negotiating new agreements, is that it cannot work for the dealers unless there is a forum for presenting termination grievances in which they can be dealt with expeditiously. That does not exist.

Mr. J. P. Vilton, managing director of Vilton Cars, Cannon Hill, London, entered a franchise agreement in 1990 to sell Lancia cars. Five months later, Fiat ran down the Lancia operation and failed to maintain previous levels of support. The impact was so disastrous that the business is no longer viable.

Mr. Chris Horrock, of Page Motors, Essex, had a Lada and Citroen dealership. His dealer agreement was terminated, after he had made a big investment. His database of customer listings was given to other companies. Again, there was discriminatory advertising. His chief salesman was headhunted.

Mr. Malcolm Fitch was given 90 days' termination notice by Fiat, which took his parts computer. He alleges that Fiat owes him money and will not pay.

Mr. Tony Stillwell's dealer agreement was terminated at roughly the same time. Fiat insisted that he invested and would not take parts back when the termination notice ended. Fiat offered him an alternative Lancia dealership only for him to find that four months later it had wound it up. That is discreditable behaviour.

That is only a tiny fraction of the horror list that I have. AB Motors—the company in my constituency—is planning legal action against Fiat to obtain compensation for the losses that it incurred as a result of Fiat's actions. It is being supported with legal services and costs by the Retail Motor Industry Federation, RMI, which regards this as an important test case and is to be commended for its continued support.

I have also tried to operate as an intermediary. I arranged for AB Motors and Fiat to meet in a country house away from telephones to resolve the dispute by means of a compensation package without recourse to the courts. Although there seemed to be some goodwill in the beginning, Fiat showed its true colours when one of the directors, Ian Rowlands, said that it was not interested in the merits of the case because Fiat was bigger, had more power and money and would win. That was its attitude. It would just crush the smaller company. Fiat representatives at that meeting went on to say that Fiat believes that the liquidation of dealerships is an inevitable consequence of termination. Statistics show that once terminated, dealerships are dead.

Many of the organisations that I have talked to about this matter, including RMI and certain manufacturers, believe that the block exemption scheme is still deficient. It still allows unscrupulous manufacturers to abuse the considerable powers that it gives them over their dealers, especially in respect of termination. I regret that the Commission, in carrying out its review of the block exemption scheme, did not use the opportunity to prevent abuse by certain manufacturers, which has resulted in the breaking of EU law through discrimination against small companies.

In this debate, I have attempted to speak up for small companies, which are generally good performers. They are loyal to their manufacturers, but they have been hammered because they tend to be on the small side. The Commission could have restored a sensible and realistic balance between dealers and manufacturers by introducing a form of compensation to dealers when their franchise was terminated. That would not be an unreasonable burden on manufacturers and it could provide the opportunity for dealers to remain in business, providing jobs and economic prosperity locally, or to adopt an alternative business strategy.

Another key benefit of the compensation argument is that it would encourage manufacturers to move towards fewer and larger dealerships. The possible efficiency improvements were outlined in the Monopolies and Mergers Commission report called "New Motor Cars", which was produced in February 1992. We must all recognise that there has to be a move towards efficiency improvements and we must encourage that. What is at issue is the way in which the manufacturers have gone about it. Perhaps the Minister could tell the House what the Government's position is on the MMC report. So far, no action has been taken and we would be pleased to hear about the Government's view.

Mr. Piara S. Khabra (Ealing, Southall): I apologise; I should have been here earlier in the debate but, unfortunately, I could not be. I believe that my hon. Friend knows that one of the dealers concerned lives in my constituency. Under the block exemption scheme, he has been given notice by Fiat that it is terminating its deal with him. My constituent has been in business with the company for the past 12 years. He had invested money, he was successful and he gave business to Fiat, but he is now about to be bankrupted. Does my hon. Friend agree that the block exemption scheme is a disaster and that the House should take action to deal with it?

Mr. Randall: I suspect that my hon. Friend is talking about First County Garages in Norwood Green.

Mr. Khabra: Yes.

Mr. Randall: That was one of the companies to which I did not refer and I appreciate the fact that my hon. Friend has raised the case. I spoke to the managing director of the company. The threat to the company arose after massive investment; the gentleman who owns the company put everything into it to try to meet Fiat's needs. Even after that, he has been kicked hard by Fiat. It should have come clean with him and said that he was not suitable or that his expansion plans were not good enough. To lead people up the garden path, to encourage them to invest and then to take such actions is a disgrace and I appreciate the fact that my hon. Friend has raised the point.

From the information that I have, I believe—this is strong—that Fiat UK Ltd. is behaving like a serial killer. It is wiping out lots of viable businesses with superb track records, with obvious consequences for jobs. I hope very much that Fiat will review its policy and that that will be the case for other companies that are abusing the block

[Mr. Randall]

exemption scheme. I hope that the companies will provide compensation, because that is the way out and would provide a balance. I hope that the Commission will recognise that the changes that it has just introduced to the block exemption scheme will still leave it deficient and open to abuse.

9.3 pm

The Parliamentary Under-Secretary of State for Corporate and Consumer Affairs (Mr. Jonathan Evans): I thank the hon. Member for Kingston upon Hull, West (Mr. Randall) for his speech. It is well known in the House that he has wide experience, especially of the motor trade. His speech is timely because, as he said, the negotiations on the new block exemption scheme have recently been concluded. I am pleased to report that the aims of the United Kingdom have been broadly met in the negotiations. Later, I shall deal in detail with many of the points that the hon. Gentleman raised.

It would be helpful for me to explain the background to the block exemption scheme before turning to the Government's policy. Paragraph 1 of article 85 of the treaty of Rome prohibits agreements between undertakings that affect trade between member states and which have as their objective, or effect, a distortion of competition. However, there are occasions when such agreements may have positive benefits that outweigh those negative effects. Paragraph 3 of article 85 of the treaty therefore provides that agreements may in fact be granted an exemption in such circumstances.

To gain an exemption, such agreements must provide benefits to the Community, and consumers must receive a fair share of those benefits. The restriction on competition to be permitted must, however, be no greater than that which is necessary to deliver those benefits. In essence, that is what the structure of EU competition policy is, and the way in which an exemption can be applied for.

Agreements that satisfy those criteria must be notified to the Commission for individual exemption, and it is then for the Commission to decide whether they do indeed merit exemption, or whether the negative effects are so great as to outweigh any of the benefits that may arise. There are, of course, occasions when there is likely to be a large number of similar agreements that qualify for exemption, and in such cases the Commission will often grant a block exemption. Agreements that satisfy the terms of a block exemption do not need to be individually notified to the Commission; they will be valid without there being any specific authorisation.

In the European Community, most manufacturers of motor vehicles distribute their new cars using a system known as selective and exclusive distribution. Selective distribution allows the manufacturer to select dealers who meet certain standards. Exclusive distribution means that the manufacturer will grant each dealer an exclusive territory in which to operate. In return, the dealer undertakes to sell only that manufacturer's cars in that territory.

That system, though, can and does restrict competition. It may also have an effect on trade between member states. Not everyone is allowed to sell new cars, as manufacturers choose their dealers and expect them to maintain high standards. They also ensure that there is only one dealer for each brand in any given area. Furthermore, dealers are restricted to selling only the manufacturer's brand of car. That system is permitted because it also provides a number of positive benefits for the consumer.

As we know, cars are technically complex machines and require a high degree of expertise, both before they are sold, to ensure that they are safe to use, and after sale, to ensure that they stay that way. The hon. Gentleman knows that from his wide experience at the highest levels in the motor industry.

Furthermore, a consumer rightly expects to be able to buy his car, perhaps in one part of the country, and, if need be, have it serviced in another part of the country. For those reasons, it is necessary for a manufacturer to maintain a national network of high-quality sales and service facilities. Selective and exclusive distribution is one way of ensuring that the manufacturer is able to do that, and encourages high standards through specialisation.

The selective and exclusive distribution system is therefore exempted from EC competition rules by a block exemption, which initially came into force in July 1985. The exemption on that occasion was to last for 10 years and would expire on 30 June 1995. One will see from that how timely the debate is.

Mr. Randall: I am grateful to the Minister for outlining these points, particularly on competition, but many of the points to which he referred are in the recommendations of the MMC report. What the MMC was saying in its investigation into the industry in 1992 was that the block exemption scheme is stifling competition and that we need to change it to ensure that the dealers have more flexibility to be able to compete.

Mr. Evans: I certainly accept that. I shall come to the context of the MMC report, because it is important to set the context of these matters. There was the block exemption for a period of 10 years, the MMC report and the negotiations. It is important, within the context of the pertinent remarks that have been raised by the hon. Gentleman, to set the matters in context. I assure him that I will come to the MMC report, because it has been the agenda for subsequent negotiations over the adjustments to the block exemption to which he referred.

Mr. Randall: Although the new block exemption scheme is coming into operation in October, the discussions by the Commission are now complete, and the new document has been produced. Unfortunately, it does not include many of the proposals that were included in the MMC report. What mechanism, if any, will there be for us to make changes?

Mr. Evans: Yet again, the hon. Gentleman's remarks are premature. I wish to set out the context for him. That is important. I am sure that he will know that one of the important aspects of his success in obtaining this Adjournment debate was that it was an opportunity to set out the context of the matter for the industry in general. If I am to outline, not only to the hon. Gentleman but more widely, the Government's policy in this regard, it is important that I should be able to deal with the matter in the context that I have set out. I hope that he understands that.

The selective and exclusive distribution system is therefore exempted from EC competition rules by the block exemption, which would have expired on 30 June

1995. Interestingly, the cars block exemption scheme was the first sector-specific block exemption to be granted by the European Union.

The exemption goes into some detail in setting out the terms for a number of the other parts of the agreement between a manufacturer and his dealers. For example, it specifies the minimum length of agreements. It also stipulates that each party must give one year's notice of termination. In the context of many of the cases that were raised by the hon. Gentleman, the operation of the one-year notice of termination has led to many of the concerns that have been raised by him. However, I accept that there are others.

The block exemption has not been without its critics. Some feel that it offers too much power to the manufacturer at the expense of the dealer. There have also been a number of complaints from consumers, who feel that car prices in the European Union are inflated because of the exemption, as it permits a restriction of competition.

This lack of competition was perceived to be due to a number of factors. Most dealers could sell only one brand of car. Dealers could not advertise to customers outside their contract territory. It was also felt that manufacturers were able to discriminate against customers who purchased a car in another country within the European Community. That matter was the subject of considerable publicity some years ago.

For the reasons that I have outlined, a number of consumer organisations believed that, when the block exemption expired in June 1995, it should not be renewed. On the other hand, manufacturers argued that competition in the market was fierce. They said that renewing the block exemption in its original form was essential in order that they could continue to offer a high-quality service to customers. Dealers' views were mixed. The larger dealers wanted to be able to sell more than one brand of car.

The hon. Gentleman said that smaller dealers wanted to have a free market. I am bound to say to him that that was not the universal view of smaller dealers. Many smaller dealers felt that the selective and exclusive distribution system offered them some security, and that in a free market they might be edged out by the larger dealers. However, all dealers believed that their position within the manufacturer-dealer relationship needed to be strengthened, although they wished to retain the basic principles of the block exemption.

Mr. Randall: On a point of correction, I did not suggest that small dealers wanted a free market. There is enough co-ordination in the motor industry for me to say that. I was saying that the block exemption scheme was not a free market. If there were a free market, the dealers could protect their interests, but as they are caged into the system, with all the powers stacked in favour of the manufacturers, manufacturers can do what they like with dealers. That was the point that I made about the benefits of the free market in this context.

Mr. Evans: I am grateful for that clarification. It underlines the point that I have made, that the general view of all dealers is that they want to ensure that their position within the manufacturer-dealer relationship is strengthened. That is one thing on which we can all agree. That brings me to the position in relation to the Monopolies and Mergers Commission inquiry.

The Government's policy on the renewal of the block exemption was guided by the Monopolies and Mergers Commission's investigation of the supply of new cars. It is worth examining the background to that inquiry, and the outcome. The hon. Gentleman has asked me to give the Government's response in this regard.

In May 1990, the Director General of Fair Trading referred the issue to the Monopolies and Mergers Commission for investigation. His primary concern was the price of new cars in the UK. That was the focus of the inquiry. The MMC was also required to establish whether a scale or complex monopoly existed, and whether it operated, or might be expected to operate, against the public interest.

The MMC's report was, as the hon. Gentleman says, published in February 1992. It concluded that prices in the United Kingdom were not significantly higher than in other countries. Where they were higher, that was due to factors such as exchange rates, and because cars in the United Kingdom were of a higher specification than on the continent. The report found a scale monopoly in favour of the Ford Motor Company, but that it did not operate against the public interest.

However, the MMC concluded that the operation of selective and exclusive distribution by 24 manufacturers constituted a complex monopoly. The report did not conclude that the system as a whole should be prohibited, but it did find that a number of restrictions on dealers might be expected to operate against the public interest: while they did not lead to higher prices, they might be able to sustain higher prices. The MMC therefore recommended that the restrictions should be lifted.

The MMC said that dealers should be allowed to advertise outside their contract territories. It said that they should be granted greater freedom to sell competing brands of cars, both inside and outside their contract territories, and that they should also be able to sell car-related goods, and provide services outside their territories.

The overall effect of the changes would have served to increase the independence of dealers in the United Kingdom. That would increase competition in the industry, which would ensure that prices were not artificially higher in the United Kingdom than in other countries.

The Government were minded to agree to and implement those recommendations. To that end, undertakings were sought from the major suppliers in the United Kingdom. Those undertakings were not forthcoming. The alternative was to implement the MMC's recommendations by an order in the House. However, in March 1994, the Government announced that an order would not be sought.

That decision was made because a review of the block exemption regulation was imminent. The Government felt that to seek an order for enforcement of the MMC's recommendations would subject the industry to a period of uncertainty which might be altered within a relatively short time by the outcome of the Commission's own review of the block exemption.

The Government announced instead that they would encourage the Commission to take account of the MMC's findings. The analysis in the MMC's report, and its recommendations, therefore, have formed the basis of the United Kingdom's negotiating position and policy during negotiation on the new regulation.

[Mr. Evans]

I come now to the outcome of that. The Commission's review of the block exemption began towards the end of October 1994, when it issued a preliminary draft to competition authorities in member states. In the United Kingdom, officials from my Department conducted an extensive consultation exercise. That sought the views of all interested parties. Many helpful comments were received, which reflected the importance of the issue to all concerned.

Having heard the views of member states in November 1994, the Commission published an official draft of the proposed new regulation. Again, a number of comments were made, by a variety of organisations. They included groups from within the industry, as well as consumer associations and legal bodies. Following further consultation with member states, the final regulation was approved by the College of Commissioners in June of this year. The current exemption has now been extended for three months, and will now expire not on 30 June but on 30 September. The provisions in the new regulation will come into force on 1 October 1995, for a period of seven years.

I come now to the new provisions in the block exemption. The hon. Gentleman has made it clear that he is disappointed by the outcome of the negotiation, but the Government take a rather more positive view of the outcome than would be apparent from the remarks that we have heard in the debate. I shall outline why we take that view.

Among the significant changes that have taken place is that dealers will now have greater freedom to sell competing brands. They will also be able to advertise outside their contract territories. The importance of that is that those were key recommendations in the MMC's report.

Furthermore, the minimum duration of agreements has been increased to five years. Both parties will now have to give at least two years' notice of termination. That is a doubling of the previous period, and it is an important step in the right direction. Each party will be able to request the views of an independent expert in the case of disputes over sales targets. That, as well as the right to compensation if only one year's notice of termination is given, further strengthens the position of dealers.

Mr. Randall: I understand that the new arbitration facility can be invoked only after a court hearing has taken place. Will the Minister confirm that it is not possible just to go along and say, "Will you rule on this?", as I think it should be, and that a breach must have been perpetrated for the arbitration procedures to be invoked?

Mr. Evans: One of the challenges of the current system is the absence of any facility for the introduction of a third-party element to resolve disputes, although an independent element has been negotiated for disputes involving, in particular, sales targets. That is a step in the right direction. I shall be happy to give the hon. Gentleman more details in due course, but the important point is that, for the first time, there is that independent element.

For that reason, among others, the Government believe that the settlement is good for the United Kingdom, and represents a good deal for UK car dealers. The MMC's analysis has been reflected in the Commission's conclusions. The elements of selective and exclusive distribution have been retained, but some of the other restrictions have been lifted.

The Commission has expressed the belief that, previously, there were a number of instances of non-compliance with the terms of the previous block exemption. Others—notably, some dealer trade associations—have said that it offered the manufacturer too much power at the expense of dealers, and that that led to abusive treatment of dealers. That is relevant to many of the concerns expressed by the hon. Gentleman.

Each block exemption contains a list of clauses known as the blacklist, which sets out a number of restrictive practices that may not be included in any agreement that seeks the benefit of the block exemption. It is worth noting that the blacklist in the new regulation has been extended to provide much greater certainty; that also demonstrates the Commission's commitment to stamp out malpractices that have occurred under the current block exemption.

The hon. Gentleman suggested that the block exemption might be amended to prohibit all forms of abusive treatment of dealers by manufacturers. I do not think that appropriate.

Mr. Randall: The manufacturers want bigger and fewer networks. That was highlighted in the MMC report, which suggested that such an arrangement would produce greater efficiency and productivity. During that process, however, many smaller companies are being discarded because they cannot secure the necessary investment and the right structures to provide that efficiency. How are we to move from the current position to the new position? I am merely saying that we should have a scheme that allows terminations to take place in a way that does not wipe out companies.

That is a dilemma, but I feel that it could be handled better. It is clear that the Commission has not got to grips with the problem; in my view, a compensation system is the only answer.

Mr. Evans: The hon. Gentleman has made it clear that he is not happy with the outcome of the negotiations on the block exemption. The Government believe, however, that many of the concerns raised in the MMC report have been addressed during those negotiations. We part company, ultimately, on the Government's belief that the block exemption is not there to regulate every aspect of the manufacturers' agreement with dealers; it is there to deal with trade and competition issues. In those circumstances, it can be taken only so far.

The Commission has stated explicitly that, in future, it will monitor compliance with the block exemption closely. That statement is to be applauded, as block exemptions permit restrictions of competition. Owing to the benefits that such restrictions provide, it is essential that the provisions of the exemptions are not abused. As I have made clear to the hon. Gentleman, they may have been breached in the past.

If a manufacturer breaches the terms of the block exemption, the Commission will take appropriate action to deal with the matter. It is for that reason that the new block exemption is a useful step forward. It will stimulate competition and encourage competitiveness, and it should equip all members of the industry to face the challenges of the future.

Question put and agreed to.

Adjourned accordingly at twenty-four minutes past Nine o'clock.

House of Commons

Monday 10 July 1995

The House met at half-past Two o'clock

PRAYERS

[MADAM SPEAKER *in the Chair*]

Oral Answers to Questions

WALES

Local Government

6. **Lady Olga Maitland:** To ask the Secretary of State for Wales what are his future plans for local government in Wales. [31444]

The Parliamentary Under-Secretary of State for Wales (Mr. Gwilym Jones): The work has already begun. The Local Government (Wales) Act 1994 is yet another form of the real devolution that the Government practise in the shape of the 22 new unitary authorities in Wales. We are taking local government closer to the people of Wales than it has ever been before.

Lady Olga Maitland: Has my hon. Friend noted that all Labour Members who represent Welsh seats have withdrawn their questions? Does he agree that they are either entirely satisfied with the Government's performance in Wales or they are trying to score cheap political points at the expense of their constituents?

In relation to local government in Wales, is my hon. Friend aware of the disgraceful way in which local councillors are allocating themselves increased allowances? In Mid Glamorgan, allowances went up by 400 per cent. Is that not outrageous? Will my hon. Friend take steps to prevent the new chief officers, who are about to be appointed, from following the same path?

Mr. Jones: Yes, I have noticed that there are no Welsh Opposition Members present. They are scoring yet more cheap points. It is typical of the Labour party in Wales—if it does not like the game, it will take the ball home. It is amazing that, when the Leader of the Opposition issues his orders to Welsh Labour Members, Welsh Liberal Democrat Members and Plaid Cymru Members also obey those orders.

My hon. Friend warns of the dangers of the gravy train in Wales, but I fear that the situation is worse than she suggested. The gravy train was not halted following the intervention of the leader of the Opposition, who told Mid Glamorgan Labour councillors to cut their allowances. They lowered the increase in their allowances from the proposed 400 per cent. to 200 per cent. I can think of many people in Mid Glamorgan and the rest of Wales who would like to receive a 200 per cent. increase.

When I spoke to the Association of District Councils' conference in Eastbourne recently, I made the point about the gravy train for officers and chief officers. I called on councils in Wales to stop the gravy train before it started for all new officers. I can assure my hon. Friend that the staff commission is looking closely at the mater, and we understand that two councils have been persuaded to change their minds.

Mr. Hendry: Is my hon. Friend aware that the Labour party wants not only local government but regional government? Can my hon. Friend explain why it wants another tier of government?

Mr. John Marshall: More jobs for the boys.

Mr. Hendry: It could perhaps be that. Can my hon. Friend explain why Labour Members want more tiers of government when they are not prepared to attend the Chamber? Have not they insulted their constituents by ignoring their interests today?

Mr. Jones: I hesitate to do Labour Members' jobs for them. If they had turned up here today, they could have tried to explain their policies better. Out of all the complaints that we hear about what the Government are doing—not least in the Principality of Wales—the one thing we do not hear is that the problems could be solved by imposing another layer of government and bureaucracy. The Government are involved in the redevelopment of south Cardiff which, it is reliably estimated, will bring 20,000 new jobs to south Wales. The Opposition want to create the ultimate quango—more jobs for the boyos.

Infrastructure Investment

9. **Mr. Simon Coombs:** To ask the Secretary of State for Wales what is his estimate of the total value of infrastructure investment in Wales since 1979. [31447]

The Secretary of State for Wales (Mr. William Hague): Of the £13 billion capital spending by the Welsh Office and local authorities in Wales since 1979, more than £2 billion was spent on trunk roads and motorways, and £1.7 billion was spent on capital investment in the national health service.

Mr. Coombs: May I take this opportunity to congratulate my right hon. Friend on his appointment, not only to the Cabinet, but to the Privy Council earlier today? I congratulate him on joining a long and distinguished list of Secretaries of State for Wales who have represented constituencies east of Offa's dyke and wish him every success in his time in the Principality.

Does my right hon. Friend agree that inward investment has been an outstanding success in Wales and has had much to do with the fact that prosperity in the Principality has risen and unemployment fallen by a significant amount in recent years? Is it now time for him to consider the grant aid available to encourage firms to relocate in Wales? I should like to cite the example of Bluebird Toys, which had to make 300 of my constituents unemployed when it moved to the valleys of Wales. As my right hon. Friend is new to the Department, I hope that he will feel able to study that policy and that he will try to concentrate on inward investment from other parts of Europe and the rest of the world rather than from other parts of the United Kingdom.

Mr. Hague: I am most grateful to my hon. Friend for his welcome. Really, he is echoing the hon. Member for Blaenau Gwent (Mr. Smith) who said in the *Western Mail* this morning:

"I want to totally disassociate myself from all the Welsh politicians who opposed the appointment of Mr. Hague on the basis that he is English".

Unfortunately, the hon. Gentleman is not here to repeat that statement in the Chamber.

I understand my hon. Friend's concern, but I hope that he will also recognise that Wales has had particular problems. Inward investment has greatly assisted the recovery of the Welsh economy. Although it has 5 per cent. of the United Kingdom population, Wales has enjoyed a share of inward investment into the UK of between 10 per cent. and 20 per cent. for some years. That is one of the factors that has led to unemployment in Wales falling to the United Kingdom average for the first time since the 1920s, which is a considerable achievement on the part of the Government and of my predecessors, and it illustrates that the policies that we have been pursuing in Wales, as in the rest of the United Kingdom, have been working. It is a great shame that Opposition Members have not joined us today to discuss these matters and to ask questions on behalf of their constituents.

Sir Teddy Taylor: I wish my right hon. Friend every success in his important new job. Will he bear in mind the effect on the future prosperity of Wales of the European Union which, as he will know, is called Undeb Ewropiaidd in the national language? In particular, will he bear in mind the threat of the part-time workers' directive, which has been imposed on this country against our wishes? More important, will he bear in mind the 40-hour-week directive, which is likely to apply to Wales and the rest of the United Kingdom following a European Court decision? When safeguarding the interests of Wales, will he bear very much in mind the serious impact on investment in Wales of those Euro-measures which are being forced on industry and commerce there against the Government's wishes?

Mr. Hague: I shall certainly bear in mind the European dimension, as my hon. Friend encourages me to do. It is important for the growth of the economy in Wales that we continue with policies that encourage enterprise and facilitate the growth of businesses. We do not want them to be over-regulated and the Government's policies, for instance in not following the rest of the European Community into the social chapter, are important to the future of business in Wales and the rest of the United Kingdom. My hon. Friend has raised a number of matters and I shall discuss them with my right hon. Friends in the Government.

Mr. Sweeney: Like my hon. Friend the Member for Swindon (Mr. Coombs), I congratulate my right hon. Friend on his appointment. I moved from Yorkshire to contest a seat in Wales; I have grown to know Wales well and appreciate a considerable welcome there, so I hope that my right hon. Friend will not be put off by the failure to attend today of all the Opposition Members who represent Wales. There is certainly no racism on these Benches, least of all against people from Yorkshire.

May I ask my right hon. Friend to visit the Vale of Glamorgan, as did his predecessors, at an early opportunity so that he can see for himself the benefits of Conservative policies in attracting infrastructure investment, particularly to my constituency?

Mr. Hague: Yes. I am most grateful to my hon. Friend for his additional words of welcome. I shall certainly visit Vale of Glamorgan at the earliest opportunity to see what is happening there. I hope that I shall be able to take an early opportunity, there and elsewhere in Wales, to emphasise the Government's success in ensuring that infrastructure spending on Wales is kept at an appropriate level. Since 1979, more than £2 billion has been spent on the construction and improvement of the M4 motorway and trunk roads in Wales.

The hon. Member for Cynon Valley (Mrs. Clwyd) has not joined us today, but she contacted my office this morning to say which question she wanted to ask before she was ordered to withdraw it. She wanted to ask about road infrastructure and when we would announce the preferred route for the A465. Although she has not come here today to represent her constituents, I want to make it clear that comments and responses from a wide range of public organisations and the general public have been considered, and I shall announce the preferred route on Wednesday.

National Health Service (Treatments)

11. **Sir David Knox:** To ask the Secretary of State for Wales how many (a) in-patients and (b) out-patients were treated in NHS hospitals in Wales in the most recent year for which figures are available; and what these figures were in 1979. [31449]

The Parliamentary Under-Secretary of State for Wales (Mr. Rod Richards): The NHS in Wales saw 633,000 new outpatients and treated 739,000 inpatients and day cases in 1994-95, compared with 429,000 and 381,000 respectively in 1979. Those are increases of 48 per cent. and 94 per cent. respectively. These data were compiled and collated by officials of Her Majesty's Government of Great Britain and Northern Ireland.

Sir David Knox: Does my hon. Friend agree that those figures show a great improvement in the national health service in Wales since the present Government took office? Will he confirm that the increase in the number of patients being treated has been faster since the national health service reforms were introduced?

Mr. Richards: My hon. Friend is absolutely correct. The increase reflects the reforms in the national health service, the greater sums of money being spent on the NHS and the effective way in which that money is being spent on more doctors and nurses. I draw my hon. Friend's attention to the patients charter for Wales—the NHS performance targets—a copy of which can be found in the Library. My hon. Friend may be interested to note that that publication is available in Welsh for Welsh speakers and in English for English speakers. I am considering producing next year an illustrated version for the Opposition.

Sir Wyn Roberts: Because of the tremendous record of improvement in the health service in Wales, may I reassure my right hon. Friend that he will be courteously received by most people wherever he goes in Wales and that he will be warmly welcomed if he listens, as I am sure he will, to people's legitimate concerns? May I urge him to disregard totally the abrogation of duty by Labour Members, who claim that they represent the views of the people of Wales—who cherish no such resentment against my right hon. Friend? Meanwhile, will my hon. Friend assure me that the progress already made in the health service in Wales will continue for the foreseeable future?

Mr. Richards: My right hon. Friend is wise, as always. During the past 16 years, the national health service has been as safe in his hands as it has been in the hands of every Conservative Government since the war.

My right hon. Friend's assessment of the nature of the Welsh people and the welcome that they will give is correct. Indeed, they welcomed my right hon. Friend the Secretary of State for Wales only last Friday when he visited a hospital in Gwent where, sadly, there were people who had been injured in a coach crash in Raglan. He went there to show sympathy for those who had been injured in the crash and to show that the national health service is the highest priority of Her Majesty's Government in Wales. My right hon. Friend the Secretary of State was welcomed in Gwent that day and I have every confidence that he will be welcomed everywhere else he goes in Wales.

Inward Investment

19. **Mr. John Marshall:** To ask the Secretary of State for Wales if he will make a statement about inward investment into Wales. [31458]

Mr. Hague: Inward investment into Wales has helped, alongside the growth of indigenous industry, to create a diverse and dynamic economy. The 280 overseas-owned manufacturing companies in Wales employ almost 68,000 people, a vivid testament to the value of inward investment to Wales.

Mr. Marshall: I congratulate my right hon. Friend on his appointment. He is following a line of distinguished Members of Parliament for English constituencies who have been Secretary of State for Wales, starting, of course, with my immediate predecessor, the right hon. and noble—and distinguished—Lord Thomas of Gwydir.

My right hon. Friend will, I am sure, wish to pay tribute to the work of his two immediate predecessors, who are responsible for the very substantial inward investment into Wales. Does he agree that one reason for that massive inward investment is that we in the United Kingdom boast a low rate of corporate tax and that a tax-raising Welsh assembly would lose that benefit overnight? Has not inward investment into Wales been encouraged by the fact that we have not signed up to the social chapter and do not have a minimum wage? Is he aware that the leader of the new Labour party—

Mr. Mackinlay: Get on with it.

Mr. Marshall: If the hon. Member for Thurrock (Mr. Mackinlay) had been here for question No. 5, I would not have had to take so long.

Is my right hon. Friend aware that the leader of new Labour, speaking to the British people in the *Financial Times* this morning, admitted in the pink 'un that a high national minimum wage would cost jobs? Does that not show that a minimum wage would lose jobs in Wales and discourage inward investment? Is it not significant that the Labour party is frit this afternoon and does not have the guts to turn up and put its policies forward?

Mr. Mackinlay: There are more than a million people in Essex; we want an Essex Question Time.

Mr. Hague: The hon. Member for Thurrock (Mr. Mackinlay) should not ask for an Essex Question Time when he is sitting in the Chamber but withdrew the question that he had tabled. That takes the prize for bizarre behaviour even in this place.

My hon. Friend is quite right. His comments are most perceptive. My predecessors did outstanding work for Wales and it is partly due to them that inward investment into Wales has been so successful, created so many jobs and helped to create a new climate of enterprise and successful business. He is also right that, also partly responsible for that success is the Government's pursuit of policies of low taxation, deregulation, not adopting the social chapter and not having a minimum wage, which would, it will be widely agreed, destroy jobs and reduce investment and job opportunities in Wales as in the rest of the United Kingdom. As my hon. Friend knows, that has often been pointed out by members of the Labour party as well as by Conservative Members.

There is no doubt that inward investment has helped transform Wales; it has become a country with a rich and diverse industrial base, an impressive exports record, enviable labour relations success and a track record of attracting the best in the world. That, however, is not the whole story for the future. Indigenous companies employ the majority of the manufacturing work force in Wales and we want to encourage them, too. Their success, as well as the continued success of inward investment, will be one of my priorities in the coming years.

Mr. Robert G. Hughes: I, also, congratulate my right hon. Friend on his most welcome appointment. Although the Labour party seems to think that he is too young, that perhaps says a great deal about what it thinks of people of 35 or so and under—it clearly has no respect for such people's abilities. Perhaps my right hon. Friend should think of himself as the most welcome new inward investment into Wales.

In his short time in the job—

Mr. Mackinlay: He has never had a real job.

Mr. Hughes: That is good coming from an hon. Member who used to work for NALGO—not a lot going on.

Will my right hon. Friend say whether, in his short time in the job so far, he has discovered why the Labour party is so opposed to the policies that have brought the promised £4.5 billion of inward investment, why it has repeatedly opposed the policies of his predecessors and why it has been wrong so often? Could the explanation of Labour Members' absence today be that they are so embarrassed about being wrong so many times and so embarrassed that the economy is doing so well because of the Government's policies that they have nothing to say and would rather stay away? Frankly, I would rather that they stayed away all the time.

Mr. Hague: I thank my hon. Friend for his additional words of welcome and for what he said about young people. Although they have not taken the opportunity to speak today, I wonder what signal Opposition Members think they are sending to young people across Britain, including Wales, when they criticise the appointment of a young person to any office. It is an extremely destructive signal, which we should wholly reject, and which usually comes from such people as the hon. Member for Thurrock, who is probably getting on a bit. It should not be up to him to suggest—

Mr. Winnick: He has more hair than the Secretary of State.

Mr. Hague: The hon. Gentleman may have more hair than me—

Mr. Mackinlay: Rubbish.

Mr. Hague: In a shock revelation, we have just learnt that he does not have that much. It is no more for him to suggest that I am too young to do my job than it is for me to suggest that he is too old to do his, although his inability to rise to his feet today suggests that he might be getting into that condition.

My hon. Friend the Member for Harrow, West (Mr. Hughes) asked about the puzzle of the Labour party's attitude towards success in Wales. I use the word "success" in its broadest sense, to mean not only investment into Wales but the recovery of the Welsh economy and the bringing down of unemployment to the United Kingdom level for the first time in 70 years. The puzzle is Labour's attitude—the preference to denigrate anything that succeeds and to criticise anything, whether it be in business or the actions of Government, that brings success to Wales. It would have been nice today to have been able to get from the Labour party an explanation of that attitude, which must be rooted in dogma. It is certainly based on very old-fashioned politics—it is something that we can still associate with excessive public expenditure and the desire to impose excessive taxation and an excessive number of layers of government on people, all of which seem to be the policy of the Welsh Labour party.

Jobs

22. **Sir Wyn Roberts:** To ask the Secretary of State for Wales how many jobs have been (a) created and (b) safeguarded since 1992. [31691]

Mr. Gwilym Jones: In Wales, between 1 January 1992 and 27 June 1995, offers of regional selective assistance have been accepted which are forecast by the companies concerned to create 23,850 new jobs and safeguard 14,561 existing jobs.

I believe that today is my right hon. Friend's 65th birthday. I am sure that the House will want to wish him well and to take this opportunity to mark the fact that his service in the House since 1970 for the people of Conwy has been an example that cannot be emulated by Opposition Members.

Sir Wyn Roberts: I am grateful to my hon. Friend. What a shame it is that Labour Members from Wales are not here to hear the good news, not about my birthday, but about the offers in connection with jobs created and safeguarded.

Will my hon. Friend give me an assurance that we shall not take economic success in Wales for granted, but seek to improve on our record and continue to look outwards to the rest of Britain, Europe and elsewhere to attract more investment and more jobs for Wales? Will my hon. Friend assure me that we shall not emulate the Labour party, which is inward-looking and seeks to give top priority to the creation of a Welsh assembly? If what we have seen happening here today is any sign of what would happen when an assembly was established in Wales, God help us all.

Mr. Jones: My right hon. Friend puts it well. A Welsh assembly would be the ultimate quango—jobs for the boyos. Opposition Members do not turn up here, so what is so marvellous about setting up that ultimate quango simply to feather-bed the ones who cannot get elected to this place—the second or third tier of Labour candidates in Wales?

My right hon. Friend is too modest. I feel that his birthday and all that he has done in the House and on behalf of the people of Wales is good news. Yes, it is a shame that Opposition Members—Labour, Liberal and Plaid Cymru—boycott the Chamber in such a childish way. It is a shame that they do not hear the good news about all the continuing economic success in Wales—the good news that, as the UK is leading Europe out of the recession, Wales is leading the UK, which is in no small part due to the policies of the Government.

However, I can certainly reassure my right hon. Friend that we are not content to sit back on our record, good though it is. Year after year, we usually manage to achieve a greater proportion of inward investment in Wales than would be justified merely on the basis of our share of the population of the United Kingdom. We continue to go deeper and deeper into other countries to sell Welsh goods and investment in Wales. My right hon. Friend will be pleased to know that the most recent new development was a Welsh Office trade mission that recently returned from Dallas—Wales has gone deep in the heart of Texas. I look forward to that being yet another successful mission in the ever-increasing programme there.

I must thank my right hon. Friend for the fact that, since he left the Government last year, he has carried on doing his best for the Principality—as when he recently visited Taiwan on behalf of Welsh interests. We are most grateful to him for his efforts.

Mr. Harris: Would my hon. Friend be surprised if, after this pathetic performance by the Opposition, they complained about a one-sided Question Time?

Many Conservative Members have no objection to trade missions going to the heart of Dallas and Texas, but we do object when trade missions from the Welsh Development Agency come to the heart of Cornwall and try to poach jobs from existing firms. Will my hon. Friend say how many of the jobs created in Wales that he mentioned in his answer are actually jobs redeployed from other parts of the United Kingdom, especially Cornwall? Will he have a word with my right hon. Friend the Secretary of State, whom I heartily congratulate on his appointment, so that the Welsh Office considers with all seriousness the activities of the Welsh Development Agency and the way in which, in unfair competition, it takes away jobs from other parts of the United Kingdom, especially the south-west of England?

Mr. Jones: My hon. Friend raises an important point. The last thing that we would want to happen is that any inward investment into Wales should come about as a result of unfair competition with other parts of the United Kingdom or wherever. We look as closely as possible at all applications, to try to ensure—

Madam Speaker: Order. I should be obliged if the Minister would address the Chair.

Mr. Jones: Madam Speaker, I assure you and my hon. Friend that we examine all applications as carefully as possible to try to ensure that all the projects provide additional economic activity and additional jobs. It is in no interest of Wales merely to poach jobs from across the border.

We want taxpayers' money to be spent effectively and wisely in creating additional jobs. Be they in the west of

England, the midlands or wherever, I can give my hon. Friends the assurance that we will always continue to do that.

On the first part of my hon. Friend's question, I have to agree that the childish demonstration that we have seen from Labour Members today is pathetic. My hon. Friend might be interested to know that the national newspaper of Wales, the *Western Mail*, conducted a survey recently which showed that English Members of Parliament were better questioners at Welsh Question Time than Welsh Labour Members of Parliament. Their lack of turnout today has only served to keep that ratio in favour of English Members. We can only speculate. Is their behaviour the result of a lack of care and compassion among Welsh Labour Members in representing their constituents or is it sheer laziness?

CHURCH COMMISSIONERS

Financial Support

23. **Mr. Clifton-Brown:** To ask the right hon. Member for Selby, representing the Church Commissioners, what assessment the Commission has made of whether its current level of support to the Church is sustainable.[31461]

Mr. Michael Alison (Second Church Estates Commissioner, representing the Church Commissioners): The commissioners have taken independent actuarial and other professional advice. A peak distribution in 1993 of more than 7 per cent. as a percentage of their assets, to meet increased expenditure commitments on clergy benefits, was reduced to 6 per cent. in 1994, but this is still an unsustainably high level. Action to bring distribution levels down further continues, but at a pace which is manageable for the Church of England as a whole.

Mr. Clifton-Brown: I thank my right hon. Friend for that answer and for the clarity of the 1994 annual report and accounts. Does he agree that it contained some alarming information, including, in particular, both the fact that the level of expenditure of £153.4 million is deemed to be unsustainable and the £8.4 million deficit—the highest deficit in the history of the Church Commissioners? Will my right hon. Friend also take it into account that the cost of pensions is now 50 per cent. higher than the cost of stipends, whereas they were about the same 10 years ago? Will he come up with a realistic plan in next year's annual report to detail what will be the effects if that level of expenditure continues and to take some action to curtail it?

Mr. Alison: As I think that my hon. Friend will have heard in the first part of my answer, it is recognised that the Church Commissioners have been distributing more than it is proper or reasonable to do over a long period. That is due entirely to the extraordinary increase in both the standard and the take-up of pensions, which have to have priority. It is for that reason that offsetting action has been proposed. The Church of England as a whole accepts that there should be a contributory pension scheme for future pensions so as to make a cut-off point in the responsibility of the Church Commissioners for current pensioners.

Mr. Bennett: Will the right hon. Gentleman join me in congratulating those people in the Church in my constituency who have worked hard to increase the support that the Church gives to some of the most disadvantaged within the community? Can he assure me that if funds are cut, it will not be the most disadvantaged who suffer?

Mr. Alison: Yes, I can certainly give the hon. Gentleman that assurance. Cuts in Church Commissioners' funds to dioceses are focused on the prosperous, well-to-do dioceses. The wind is tempered to the shorn lamb of dioceses such as that to which the hon. Gentleman refers. He will be glad to know that the shortfall in the Church Commission contribution to dioceses has already been made good by the willingness of church-goers to put their hands deeper into their pocket to make up the difference.

Mr. Rowe: Does my right hon. Friend accept that, like many other church-goers, I spend a disproportionately large amount of my income on matters that are not essential and that if we were challenged effectively by the Church to make a larger contribution from our incomes to the support of that most important of all institutions, the Church, we would do a great deal better? Does he further agree that that will require a radical reassessment of the way in which the Church of England is run, because parishes which respond to the request to give more money will undoubtedly want to have a larger say in how the Church is run?

Mr. Alison: I take my hon. Friend's point. People probably do not realise how much support is still generated by the Church of England, and by Christian churches generally in Britain. The Archbishop of Canterbury recently pointed out that a quarter of the British population—many millions of people—went to church last Christmas day. The average donation to a typical church collection plate on Sundays is between £3.50 and £5, but I believe that the amount would increase sharply if people knew that a need existed. Now that such a need is becoming clear, I think that giving by folk in the pews will indeed rise substantially.

Church Investments

24. **Mr. Tony Banks:** To ask the right hon. Member for Selby, representing the Church Commissioners, what new proposals he has to improve the return on Church investments. [31462]

Mr. Alison: The total return on the commissioners' investments in 1994 was 4.8 per cent., which compares well with the minus 3.9 per cent. shown by a recognised independent benchmark that measures the performance of a large number of pension funds. The commissioners' consultant actuaries continue to advise on asset allocation strategy.

Mr. Banks: Would not the commissioners have more money at their disposal if they had not lost £800 million in property speculation? What safeguards have been built in for the protection of the clergy, particularly in terms of their pensions? Is not that £800 million loss a clear sign that the Lord does not approve of property speculation? When will the Church Commissioners remember the saying:

"It is easier for a camel to go through the eye of a needle than for a rich man to enter the kingdom of God"?

Have they not damned their eternal souls through their actions—rather like Conservative Members?

Mr. Alison: I am delighted that the hon. Gentleman has dipped into the familiar territory of New Testament

parables and other utterances. He will recall alternative words from the scriptures about making a friend to oneself of the mammon of unrighteousness—they were said by the founder of the Christian religion—and about developing talents: the man with one or two talents who increased the number to 10 was commended. I hope that the hon. Gentleman will approve of the fact that the Church of England has developed its talents substantially.

Mr. Banks: What about property?

Mr. Alison: If the hon. Gentleman has glanced at the annual report of the Church Commissioners—I arranged for it to be sent to him—he will have noted that most investment and pension funds are dominated by stock exchange investments, and could not avoid the decline in values of equities and gilts. In 1994, the total return on Church Commissioners' property holdings was £205 million; if the same amount had instead been invested in equities during that year, the return would have been a loss of £61 million. The emphasis on what the hon. Gentleman calls property speculation in the commissioners' portfolio has saved them from the big chasm that opened up before investors in equities and the like.

Mr. Patrick Thompson: I declare an interest, in that many members of my family have served or are serving as Church of England clergymen.

Will my right hon. Friend tell me a little more about how the pensions are protected, how they are calculated and whether that is affected by the return on investments? Will there be enough money to pay pensions to clergymen in the future, and what action will be taken to ensure that that is the case?

Mr. Alison: I can assure my hon. Friend that there are ample funds to meet all actuarially computed pension obligations to those who have already retired and those still in service with retirement pensions in prospect. Because of uncertainty about the long-term future, however, steps will soon be taken to introduce a contributory fund for future pension beneficiaries, making the overall package for all Church of England pensioners completely secure.

St. Ethelburga's Church

25. **Mr. Barnes:** To ask the right hon. Member for Selby, representing the Church Commissioners, what representations the commissioners have received concerning the future of St. Ethelburga's church in London; and if he will make a statement. [31463]

Mr. Alison: The church was declared redundant on 22 June 1994 and is now in the ownership of the diocese of London while its future is considered. The Bishop of London has held a competition for schemes to deal with the remains of the building and its site, the result of which was announced in June. No ensuing recommendations have yet been made to the Church Commissioners.

Mr. Barnes: We are discussing the smallest and oldest church in London, which was blown up by the IRA. Would it not be a tribute to the victims of the IRA in the City if that church were fully and faithfully restored? Is that not better than the proposal to place a glass front before its ruins?

Mr. Alison: As I think the hon. Gentleman might have known, one of the suggestions made by the so-called Templeman Commission favoured the sale of the St. Ethelburga's site for secular development. That goes to the other extreme of what might be done and has been turned down. What is proposed now is that there should be a memorial on the site for those who died in the City bombs, and that there should be a space provided for Christian worship and prayer, and vestry facilities for the office of St. Helen's, Bishopsgate; in the round, a memorial, worship facilities and administrative offices for a church. That probably goes a long way towards meeting what he would wish for this historic site.

LORD CHANCELLOR'S DEPARTMENT

Immigration and Asylum Appeals

27. **Mr. Gerrard:** To ask the Parliamentary Secretary, Lord Chancellor's Department if he will make a statement on delays in the processing of immigration and asylum appeals. [31465]

The Parliamentary Secretary, Lord Chancellor's Department (Mr. John M. Taylor): My Department aims to keep waiting times in all cases to a minimum. Steps have been taken to combat the particular increase in waiting times in London resulting from the concentration there of asylum cases.

Mr. Gerrard: I am sure that the Minister will accept that a huge backlog of cases has built up and that waiting times are unacceptable. Is he aware that the Refugee Legal Centre has had to withdraw from all regions except London and the south-east because it simply cannot cope with the numbers involved, and that the United Kingdom Immigrants Advisory Service is under enormous pressure? What provision will be made to help organisations such as those, so that asylum seekers have the proper representation that they need at appeals? Will he take this opportunity to deny that his Government are thinking of taking away rights to oral appeal for some asylum seekers?

Mr. Taylor: I think that I should oblige with the denial, but on the more general part of the question, the hon. Gentleman is right to draw the House's attention to the real concerns—of which I am very much aware—that exist, especially in London and the south-east. Various measures are being taken. In some cases, the appellate authority does not allocate a specific date, but offers an early hearing date if another case is adjourned or withdrawn. More flexible listing has been introduced. If the parties agree, appeals can be transferred to centres where waiting times are shorter. The pool of adjudicators is being increased and courtroom accommodation is being expanded, but I am as far as I could be from being complacent about those matters.

Mr. Harry Greenway: Will my hon. Friend look at accommodation for asylum seekers? A couple of years ago, a whole year's supply of new housing in Ealing was taken up by asylum seekers and others, so my constituents are concerned that those matters be expedited. Does he have any plans to use barracks for asylum seekers? May we have some clarification on his plans for that matter?

Mr. Taylor: I have no plans, personally, for using barracks for asylum seekers. I am not sure whether the House would consider that that was appropriate, but I draw its attention to the fact that, under the 1993 asylum

appeals procedure rules, formal time limits apply to asylum appeals and no time limits apply to immigration appeals.

Mr. Pike: Does the Minister believe that he receives adequate co-operation from the other Government Departments involved in appeals? The delays are unacceptable, and on many occasions it seems as though the Home Office or the Foreign Office is holding up the Minister's Department in going ahead with the appeal.

Mr. Taylor: One strives to get the best possible co-operation. An increase in the number of asylum applications received by the Home Office has inevitably resulted in an increase in appeals. Following an interdepartmental initiative, extra resources are being made available to both Departments to speed up the disposal of work.

Legal Aid

28. **Lady Olga Maitland:** To ask the Parliamentary Secretary, Lord Chancellor's Department what comparison he has made between legal aid arrangements in the United Kingdom and in other EU countries. [31466]

Mr. Taylor: From the comparisons that we have made, I believe that our legal aid scheme is the most generous in the European Community. Generally, United Kingdom citizens have the same access to legal aid in a European Community country as a citizen of that country.

Lady Olga Maitland: I thank my hon. Friend for that reply. It is excellent news that citizens of this country have access to the most generous legal aid support. Does my hon. Friend agree that the time has come to reassess exactly how legal aid is delivered? The legal aid bill is rising year after year, and we must ensure that those who genuinely need legal aid receive it, while those who do not, do not.

Mr. Taylor: I am looking forward to reading *Hansard* tomorrow because my hon. Friend could not have put it better. There can be no question but that our legal aid system is generous and that enormous amounts of money are devoted to it. The issue is whether legal aid is going to the right people, and that is the thrust of my hon. Friend's question. The Green Paper provides an opportunity for the most radical review of legal aid in the past 50 years, and we should take that opportunity.

Mr. Skinner: One of the problems with the £1.4 billion of taxpayers' money that is spent on legal aid is that a lot of it goes to relatively few people—many of whom, just like those on the Treasury Bench, come from the belly of the banking establishment. In other words, the Tory Government are handing large sums of money to people such as Roger Levitt and their other Tory friends in the City—I will throw in the Maxwells who have benefited as well, just in case the Minister mentions them. He should pay some attention to the document produced by the Labour party in the past few days, in which we suggest that the £1.4 billion should go to deserving people—many of whom do not qualify for legal aid—rather than to the fat cats.

Mr. Tony Banks: My hon. Friend could not have put it better.

Mr. Taylor: The hon. Gentleman could not have put it more typically. A consultation document entitled "Legal Aid for the Apparently Wealthy" was released some time ago and I gave as much publicity to it as I could. I do not recall any response from Bolsover to that paper.

As a result of wide consultation, the Lord Chancellor announced in April that he would tighten up legal aid means assessment for the apparently wealthy. His proposals include a special unit to investigate unusually complex cases and the confiscation of undeclared assets.

Mr. John Marshall: Does my hon. Friend realise that the issue of legal aid has united the hon. Member for Bolsover (Mr. Skinner) and me? There is widespread disquiet about the way that the legal aid fund is operated, and my hon. Friend may have seen the article in Saturday's *Daily Mail* about a child who has received legal aid on the basis of a quite flippant argument. Will my hon. Friend please look at the operation of the Legal Aid Board, which seems to waste public money? Will he recognise that, in civil cases, a legal aid certificate is the most important way of screwing a large sum of money out of the other party?

Mr. Taylor: My hon. Friend has always been very clear and very consistent in his criticism of the legal aid system. I remind him and the House that the legal aid Green Paper, which is now available for consultation, represents the widest and most radical opportunity for reform of legal aid, and I look forward to receiving my hon. Friend's reply.

Legal Aid Appeal Committees

29. **Mr. Ainger:** To ask the Parliamentary Secretary, Lord Chancellor's Department how many cases have been placed before legal aid appeal committees in each of the past five years. [31467]

Mr. John M. Taylor: In the categories for which figures are available for each of the last five years, the number of appeals to the Legal Aid Board in round numbers to the nearest thousand were 25,000, 26,000, 34,000, 47,000 and 53,000 respectively.

Mr. Ainger: Is not the fact that the number of appeal tribunals has doubled over the past five years indicative of concerns that not necessarily poor people are being excluded from our system of justice because they do not qualify for legal aid? As my hon. Friend the Member for Bolsover (Mr. Skinner) rightly explained, rich individuals can afford by some unknown means to pay lawyers to ensure that they receive legal aid. Is it not time to address those issues?

Mr. Taylor: It is time for us all to address those issues, which is why the Green Paper is before the House. The main reason for the sudden jump in the number of appeals to which the hon. Gentleman referred was the board's introduction of a quality management system designed to secure greater consistency of approach in the application of existing criteria on legal merits. That led to a higher number of refusals and therefore appeals.

Mr. Jacques Arnold: Has not the current legal aid system far too many characteristics typical of providing outdoor relief for the legal classes? If legal aid funding is to be increased, would it not be far better to invest money in simpler and faster justice for people?

Mr. Taylor: Despite all the criticisms, it must surely remain a benign and civilised intention to assist poor

people and people of modest means with their legal difficulties. Complaints are made about the legal aid system but in general its operation remains generous and helpful.

Mr. Boateng *rose—*

Mr. Arnold: The hon. Gentleman should declare his interest.

Mr. Boateng: My interest as a legal practitioner is well known, but that does not blind me for one moment to a question of concern to hon. Members in all parts of the House. Is not justice delayed justice denied? Does that not apply to the activities of the Legal Aid Board as well as to the courts? Is it not time that the Parliamentary Secretary investigated why so many applications to the board and so many appeals from its decisions take so long as to cause manifest injustice to applicants? Is it not time that the Parliamentary Secretary examined that matter? Will he take on board the case of young Emma Van de Velde, a dyslexic whose appeal against the finding that she was not entitled to special help took the board so long to process that the time limit for the appeal was passed before the board finally sanctioned that help? Should not the consumer of legal services come before the bureaucrats who run the Legal Aid Board?

Mr. Taylor: The hon. Gentleman asked me to agree that the old adage can be affirmed, that justice delayed is justice denied. I oblige him, for that is certainly true. The House and the wider interested community are witnessing uniquely the convergence of the Green Paper on legal aid and Lord Woolf's paper on access to justice. The whole civil legal system is available for our criticism and for radical improvement. We should not lose that opportunity.

Civil Courts

30. **Mr. Simon Hughes:** To ask the Parliamentary Secretary, Lord Chancellor's Department what proposals he has for the reform of civil justice and the civil courts. [31468]

Mr. John M. Taylor: Last year, the Lord Chancellor appointed Lord Woolf to conduct a comprehensive review of the civil justice system. He has now presented his interim report. The Lord Chancellor has warmly welcomed that report and is considering how best to give effect to those developing ideas.

Mr. Hughes: The Parliamentary Secretary will be aware that the Woolf report is generally welcomed. Nothing less than a huge and radical reform of the civil justice system is required. How will the Parliamentary Secretary gather opinions from the public on Lord Woolf's proposals? What is the timetable? Can the interim proposals proceed apace where there is general agreement, so that justice can be more quickly delivered in our civil courts?

Mr. Taylor: The Lord Chancellor's general view is that we must keep moving. There is no time to spend, spare or waste. In view of the wide-ranging review and consultations undertaken by Lord Woolf, the Lord Chancellor does not intend to undertake further public consultation. However, the power to make the necessary amendments rests with the County Court Rule Committee—which, as part of its consideration of the matter, will consult interested parties.

Mr. Batiste: I welcome the proposals for the reform of the civil courts, and congratulate the Minister on the introduction of conditional fees, which will open up civil litigation to many more litigants who cannot afford it now. May I, as a solicitor, nevertheless urge on my hon. Friend the fact that there needs to be an independent Bar capable of providing objective advice both in relation to civil litigation and, perhaps even more importantly, in relation to criminal litigation?

Mr. Taylor: It has never been remotely on my agenda—nor has the idea ever passed my lips in the House of Commons—to deny the need for an independent Bar, which has been a respected part of our English institutions for long years.

Legal Aid Reforms

31. **Mr. William O'Brien:** To ask the Parliamentary Secretary, Lord Chancellor's Department if he will make a statement on the reforms of the legal aid provisions. [31469]

Mr. John M. Taylor: The consultation period for the Green Paper "Legal Aid—Targeting Need" ends on 31 August. The Government will decide what further action to take in the light of the responses to that consultation.

Mr. O'Brien: I am grateful for the Minister's response. Will he also take into consideration the point that I have raised with him about a letter from a constituent who has been denied legal aid because of her husband's savings? The funds and incomes of spouses are supposed to be separate nowadays; so will the Minister assure me that wives will not be disallowed legal aid because of their husbands' incomes or savings?

Mr. Taylor: I can promise the hon. Gentleman that I shall take his point into account and that I shall write him a letter, but I cannot promise that it will necessarily contain exactly what he wants.

Points of Order

3.30 pm

Sir Wyn Roberts (Conwy): On a point of order, Madam Speaker. You will have noticed the total absence of Welsh Labour Members from Question Time today—not to mention members of Plaid Cymru and members of other Opposition parties. I am sure that today will go down in history as a "boyocott"; but surely this abdication of duty by the Opposition has implications. Would you consider it worth while looking into precisely what they are?

Several hon. Members: On a point of order—

Madam Speaker: No, I will deal with one at a time. I do not think that there are many implications. I thought that perhaps there had been a spate of heavy summer colds—an epidemic passing through Wales—but my assessment may be naive.

Mr. John Biffen (Shropshire, North): Further to that point of order, Madam Speaker. Did it occur to you that the quality of Welsh questions was enormously improved today? I wonder, in those circumstances, whether you might use your good offices to have today's proceedings made into a permanent routine.

Several hon. Members *rose—*

Madam Speaker: Usually I do not take further points of order on a matter that I have dealt with, but hon. Members are clearly in high spirits today—

Hon. Members: On a point of order, Madam Speaker—

Madam Speaker: Order. I am not deaf. As the House seems to be in rather high spirits, I call the Welsh Member, Mr. Flynn.

Mr. Paul Flynn (Newport, West): Thank you, Madam Speaker. You may have noticed that 32 Welsh Opposition Members who represent 90 per cent. of the people of Wales decided today to unstar their questions, because they saw no point in listening to lectures on Wales by a Minister who has been in office for four days. It appears that all he can tell Members who have experience of Welsh politics going back 30 years is that they should listen to the one-liners that he has crammed into his head over the past few days.

No discourtesy to the House or to you, Madam Speaker, was intended, but we must make the point that we in Wales are being treated as a colony, with a Secretary of State who does not represent a single Welsh vote.

Madam Speaker: I am glad to have been informed of the real reasons.

Mr. John Marshall (Hendon, South): Further to that point of order, Madam Speaker. Is it not grossly discourteous of the hon. Members for Newport, West (Mr. Flynn) and for Southwark and Bermondsey (Mr. Hughes) not to be here to ask the Secretary of State for Wales their questions, and, then to turn up later to ask other questions? May we be told how much those unanswered questions cost the taxpayer? Surely their behaviour is discourteous and a waste of public money?

Madam Speaker: If the hon. Gentleman believes that it is a waste of taxpayers' money, perhaps he might like to table a question, after which we shall all know the answer.

Mr. Spencer Batiste (Elmet): If Welsh Members cannot be bothered to ask their questions, is there not a case for offering time to Yorkshire Members or Members representing parts of other regions of England, who are denied specific questions by the present arrangements?

Madam Speaker: The hon. Gentleman might like to put that suggestion to the Procedure Committee.

Hon. Members: On a point of order, Madam Speaker.

Madam Speaker: Yes, I can hear you. I call the hon. Member for Bolsover (Mr. Skinner).

Mr. Dennis Skinner (Bolsover): On another topic, Madam Speaker. Have any representations been made to you to have a statement from the Government—obviously, it would be passed by the Deputy Prime Minister, who deals with everything now in governmental terms—about the French taking over the Greenpeace ship during the weekend? Surely this is a matter of public concern. Would it not have been right and proper for absent Ministers to present themselves at the Dispatch Box to explain why, at the recent Cannes summit, the Prime Minister gave a nod and a wink to Chirac to allow the French to take the dastardly action that they took this weekend? He acted like a fool.

Madam Speaker: Order. As the hon. Gentleman and the House know, no statement is to be made on that subject today. If the hon. Gentleman is keen about it, he could always apply for an Adjournment debate. Lady Luck might look his way.

Mr. David Winnick (Walsall, North): As I understand it, Madam Speaker, Ministers are accountable to the House. I wish to bring to your notice the fact that there is no list of responsibilities for the Deputy Prime Minister. We are told in the press that the Deputy Prime Minister, No. 2 in the Cabinet list, will have tremendous responsibilities and powers, perhaps even greater in some respects than those of the Prime Minister.

The Vote Office has no list of the Deputy Prime Minister's responsibilities. How can we question him? I have been to the Table Office. The officials, as ever, have been very helpful and courteous. They told me that they have not been notified. We shall be tabling questions for Ministers when we return after the long summer recess: how can we table questions to the Deputy Prime Minister? What are his responsibilities? I hope that you will be able to advise me, Madam Speaker.

Madam Speaker: I am very interested in the point raised by the hon. Gentleman. I refer him to the answer given by the Leader of the House last Thursday, in which he said that it was felt that the

"sensible course would be to maintain the current rota"—

that is, of questions—

"until the end of this bit of the term . . . and then consider revised arrangements reflecting the new position for the next Session. I include in that whatever might be appropriate arrangements for the First Secretary of State."—[*Official Report*, 6 July 1995; Vol. 263, c. 536.]

As I have said, questions were answered on the point during business questions last Thursday.

Several hon. Members *rose—*

Madam Speaker: Order. I have answered as far as I can. it is a matter for the Leader of the House. He made his position clear on behalf of the Government last Thursday.

Mr. Jeremy Corbyn (Islington, North): I want to ask a question about maritime law, Madam Speaker, as it affects the House. Have you had any requests from the Foreign Secretary or any Foreign Office Minister to make a statement about the French unilateral declaration of a total exclusion zone around Mururoa atoll and their blatant attack on an unarmed civilian ship in those waters by their own commandos? The threat to peace in that region—

Madam Speaker: Order. The answer is no, I have not.

Mr. Skinner: Here is the paper for the Adjournment debate.

Madam Speaker: Application happily received.

Mr. Andrew Mackinlay (Thurrock): On a point of order, Madam Speaker. The Secretary of State for Wales referred to my withdrawing a question. That is not correct. I had the question unstarred, and it will be subject to a written reply. The question was tabled when the then Secretary of State for Wales was doubling up as the Chancellor of the Duchy of Lancaster. The question related explicitly to how he split his duties and was schizophrenic.

Is it not time that we considered the framework of Question Time? We spent 15 minutes today on the Church of England, which I put to you, Madam Speaker, is nothing to do with a modern-day Parliament—[HON. MEMBERS: "No."]—but spent only 15 minutes on our criminal justice and court system? It is all out of scale and proportion.

Madam Speaker: The hon. Gentleman must be aware that he does not have the support of the House on that, but whether or not he does, his is an opinion that he has every right to express here.

Mr. Geoffrey Clifton-Brown (Cirencester and Tewkesbury): Further to that point of order, Madam Speaker.

Madam Speaker: No, there are no further points of order. We are not having debates about these matters. If the hon. Member for Thurrock (Mr. Mackinlay), or any hon. Member, wishes to see changes, there is the Procedure Committee to look at these matters.

Opposition Day

[16TH ALLOTTED DAY]

Social and Economic Policy

Madam Speaker: I have selected the amendment in the name of the Prime Minister.

3.39 pm

Mr. Donald Dewar (Glasgow, Garscadden): I beg to move,

That this House condemns Government policies that have widened social division, led to damaging inequality and brought insecurity to millions of people; believes that the abolition of the Department of Employment signals the complete lack of Government concern about unemployment, insecurity at work and skill shortages; and believes that the Government must take action which promotes employment opportunities, particularly for the long-term unemployed, increases the skills and adaptability of the workforce and protects the low paid through a national minimum wage.

I have decided to be a determined optimist on this occasion, and am hoping that, over the next few hours, there will at least be a measure of agreement on the nature of our problems. I am a realist, and I recognise that, when we turn to solutions, it is likely that there will be disagreement and some debate; but on the nature and essence of the problems, I very much hope that we can at least recognise what is happening to our country.

Perhaps I should make a proposition to Conservative Members, which I do not think is too ambitious: low pay, social division and growing inequality are a scourge and an offence. Perhaps rather uncharacteristically, I could pray in aid the late Sir Winston Churchill. I offer a piece of Churchill memorabilia, and am happy to throw it into the debate free, gratis, for nothing, and with no claim on continuing loyalties.

Sir Winston Churchill, when President of the Board of Trade, on Second Reading of the Trade Boards Bill of 1909, said:

"It is a serious national evil that any class of His Majesty's subjects should receive less than a living wage in return for their utmost exertions. It was formerly supposed that the working of the laws of supply and demand would naturally regulate or eliminate that evil . . . But where you have what we call sweated trades, you have no organisation, no parity of bargaining, the good employer is undercut by the bad, and the bad employer by the worst; . . . where those conditions prevail, you have not a condition of progress but a condition of progressive degeneration . . . the degeneration will continue, and there is no reason why it should not continue in a sort of squalid welter for a period which compared with our brief lives is indefinite."—[*Official Report*, 28 April 1909; Vol. 4, c. 388.]

Depressingly, that is, it seems to me, still relevant. Sir Winston talked about an indefinite degeneration. In many ways, in comparative terms, those are indeed the problems that we still face.

Mr. Andrew Robathan (Blaby): I am delighted to hear the hon. Gentleman quoting Sir Winston Churchill, who is, of course, the hero of many Conservative Members. It is, however, some 86 years ago since those words were spoken—in the lifetime of our grandparents and our great-grandparents—and I think that some things have changed a little since then. Will the hon. Gentleman

enlighten the House and tell us, in real terms and in cash terms, what the average industrial wage was in 1909 in comparison with now?

Mr. Dewar: I can tell the hon. Gentleman that average wages are not what the debate is about. I accept entirely that average wages have risen, and no doubt the Minister will make that point very effectively and eloquently when he replies. I am drawing the attention of the House to the fact that 328,000 people in Britain earn less than £1 an hour. Some 1.143 million earn less £2.50 and, as the hon. Gentleman will recognise and will be concerned about, the vast majority of these are women. Women are particularly badly hit by low pay, with more than 670,000 of them falling below the £2.50 an hour limit.

In my view, those figures certainly justify the relevance of the Churchill quote, and I make no apologies for reminding the House that it was a problem seen by someone in 1909, whom the hon. Gentleman is right to say he admires greatly, someone who predicted that the problem would be continuous because of the imperfections of the market mechanism for a very long time. Sadly, he has proved to be right on that matter.

Dr. Robert Spink (Castle Point): The hon. Gentleman is an assiduous Member and I know that he will want to set the scene properly and accurately. Will he therefore accept the fact that 75 per cent. of those who are classified as being on low pay live in a household where there are two or more wage earners? If he thinks that low pay is so bad and wants a minimum wage, will he tell the House where the Labour party would set that wage, because that is the only context against which this debate can have any credibility whatever?

Mr. Dewar: I am glad to say that my judgment of the success of the Labour party is not its credibility in the eyes of the hon. Member for Castle Point (Dr. Spink). I like to think that, on occasions, we impress him, but I am trying to reach an audience wider than one Back-Bench Conservative Member, who is no doubt well briefed for this debate. I congratulate him, however, on his assiduity. He should not despise the point that many people have to earn a second income to raise to a decent level—

Lady Olga Maitland (Sutton and Cheam): He did not.

Mr. Dewar: The hon. Member for Castle Point seemed to belittle my point, and to suggest that there was no real worry about low pay for women if they lived in households in which other people had a job. Such households are often still poor, and both wage earners may struggle. I do not take the view that it is all right to have unsatisfactory and offensive levels of pay simply because a second income is involved, because that second income is often an essential platform on which to build an escape from poverty, and a lifeline to opportunity in our community.

Several hon. Members *rose—*

Mr. Dewar: I must make progress, but I will give way to the hon. Member for Finchley (Mr. Booth).

Mr. Hartley Booth (Finchley): The hon. Gentleman is generally fair to the House. Does he accept that a comparison with the first decade of this century is fallacious? Today, we have, alongside the £1 per hour wages to which the hon. Gentleman referred, a whole panoply of social security to back up each individual.

Mr. Dewar: I must confess that, if the hon. Gentleman is putting forward the general proposition that people who quote Sir Winston Churchill are saying nothing that is relevant, or has anything to do with modern politics, I look forward to hearing Conservative Members protesting against speeches on many occasions. When I came across the quotation, it seemed remarkably relevant to the problem we have. Of course the context has changed, and of course the figures have changed, but the essential social problem remains, and it is one to which we should turn our minds.

Mrs. Gwyneth Dunwoody (Crewe and Nantwich): Is it not instructive that, in this orchestrated set of interruptions, it is clear that, for the Conservative party, the fact that women are underpaid and often forced to take low-paid and unskilled jobs is not a matter of worry, but a matter of congratulation? They bitterly resent the fact that women are forced into such a position.

Mr. Dewar: There is, indeed, a general tendency by Conservative Members to underestimate the contribution that women now make. They have a major input and are a major part—soon to be the largest part—in the work force. I do not make a general accusation, because that would be unfair, but I point out that there are still a few people around who see a woman's job as a nice little interest and a little bit of pin money. We should not take that view these days.

Lady Olga Maitland: We are talking about the important subject of women and part-time work. Does the hon. Gentleman agree that part-time work is a blessing for women, because, among other things, it fits in with their family commitments, and because it often becomes full-time work when they are ready to take it up?

Mr. Dewar: I am extremely anxious that women should have the opportunity of getting both part-time work and full-time work if that is what they want. I do not undervalue the importance of part-time work, which gives flexibility, as it melds with household duties and other interests. However, even though it may be a blessing, as the hon. Member for Sutton and Cheam (Lady Olga Maitland) put it, it should not be a charter to allow exploitation. That is unfortunate.

The hon. Lady has drawn herself to my attention. She is one of the Conservative Members who, on occasion, has an unrealistic view of these matters. She may remember a debate on 8 July 1994 in which she intervened to make a point about the number of people who were on benefit and who had televisions, freezers and so on in their homes. She then asked:

"Does he"—

she was referring to me—

"agree that it is a problem not so much of people living on a set income, but of how they manage their budgets? A person in one flat may manage perfectly adequately while someone else may not. Surely we need to teach people the art of household management."—[*Official Report*, 8 July 1994; Vol. 246, c. 607.]

There is a certain unreality about that view. *[Interruption.]* Conservative Members should not wave at me. The hon. Lady's view is totally unrealistic when it is compared with the experiences of my constituents and the constituents of many hon. Members who must cope with the problems we have been discussing.

Several hon. Members *rose—*

Mr. Dewar: I can see that my optimism about getting some initial agreement about the nature of the problem has perished.

Dr. Spink *rose—*

Mr. Dewar: I recognise that the hon. Member for Castle Point (Dr. Spink) is a sincere Conservative. I am told—although I have not checked it personally—that the Conservatives lost every seat they held on the district council in his constituency in the elections. Therefore, the hon. Gentleman should go away and think about his position and his party's policy before he comes eagerly back to the fray. I have let him in more than once, and I hope that he will be content with that.

There is obviously not going to be agreement, but my view is that, if we follow present trends, there is a real danger that social cohesion will be challenged, undermined and put at risk by what I described—I stand by the description—as evils.

There are always healthy arguments about salary. I remember with pleasure the Secretary of State's evidence to the Select Committee on Social Security on 25 January. The right hon. Gentleman was perhaps led astray by questioning, although he led himself astray to some extent, about our salaries—always a matter of prurient interest to the House. He said:

"When I was a backbencher I thought that, on the whole, MPs should probably be paid less to encourage them to have outside interests, which I believe enriches Parliament".

I liked that, because I like plays on words, and we can agree that such a scheme would probably "enrich" Parliament in a very narrow sense. But I doubt whether it would enrich the life of Parliament.

I was entertained to see that the Secretary of State went on to say that Ministers should be paid more and back-bench Members less, and added:

"Now I am a Minister I hold both views even more strongly."

There is a man of courage, although whether he is in touch not just with Lord Nolan but, more importantly, with the world outside, I would beg to doubt.

I was interested to see the evidence given to the Nolan committee by the right hon. Member for Norfolk, South (Mr. MacGregor) just after he had left ministerial office and picked up—no doubt to his and the company's benefit—a directorship. He said that to bar Ministers from directorships in companies with which they may have had some dealings during their ministerial office would

"expose them to the risk of comparative poverty on leaving their posts."

I thought that I would just read that out, as a touching human gesture.

I would argue that there is every importance in recognising both where we are heading and the growing inequalities in society. I recognise that we are not here today to have a reprise of old arguments which we have made at the Dispatch Box on more than one occasion. I know, for example, that the Secretary of State has severe doubts about the findings of the Rowntree report, and went to great lengths to discredit its authors and rubbish its conclusions. As so much of the report's material was taken from research conducted by the Department, he was in effect mounting a root-and-branch attack upon the Department's statistics and methodology. That is something for him and the Department to sort out.

An enormous amount of evidence is massing—not just the Rowntree report—from many sources that we have growing inequality at the same time as we, like every western country, are seeing many people increase their prosperity as average earnings move up. We know that 14 million people now have incomes below half the average earnings, compared with 5 million in 1979. More than 10 million people are now dependent upon income support, which is probably an increase of a multiple of two or three since 1979. Since 1979, wages for the lowest paid have hardly changed in real terms, while they have increased greatly for those at the top end of the scale. This divergence and moving apart ought to worry all of us. One of my concerns—

Mr. Nigel Waterson (Eastbourne): I am grateful to the hon. Gentleman, who has been liberal about giving way. Has he seen the report of the Institute for Fiscal Studies entitled "Why Peter Lilley was Right", which concluded that the poor have not been getting poorer?

Mr. Dewar: Yes, I was interested in that conclusion, and of course I have looked at the report. As the hon. Gentleman knows, the IFS has produced a number of reports—he has obviously read widely through them. He will remember that the one to which he refers studied outturn and expenditure patterns, rather than income patterns. As he will have noted carefully, it did not take into account income saved or invested, which gave a rather incomplete picture.

Building on the substantial evidence on my side of the argument in other IFS work, I remind the hon. Gentelman of the author's conclusion that

"the gap between the richest and the poorest in terms of both income and expenditure widened over the period."

Even though that report, which the Minister optimistically said "blows a hole" in Labour's case, concluded that the figures were not as startling as those in the IFS report of between six and nine months earlier, it reinforced the same pattern and general picture.

If the hon. Member for Eastbourne (Mr. Waterson) is trying to say that there is not growing inequality in this country, he is on very weak ground indeed. I suspect that some of his braver colleagues would argue that it does not matter if the rich get richer and the gap grows greater.

Mr. Alan Duncan (Rutland and Melton) *indicated assent.*

Mr. Dewar: The hon. Gentleman is always there on cue—a small, dynamic figure shouting his case in the second row from the back of the Back Benches, where he will probably remain for some considerable time.

Mr. Bernard Jenkin (Colchester, North): Will the hon. Gentleman give way?

Mr. Dewar: I cannot resist it.

Mr. Jenkin: If the hon. Gentleman insists that poverty is increasing, is it not incumbent on him to tell the House which income group's spending has fallen since 1979?

Mr. Dewar: The hon. Gentleman should look at some of the Government's statistics. He will be familiar with those for households below average income, about which there is an interesting argument. The Government maintain that the statistics are unsound, because the bottom decile of households contains farmers, taxi drivers and accountants. All I can say is that I hope that their affairs will be investigated with the rigour that we are told is being properly applied to benefit fraud. If so, I think that there will be a considerable increase in prosecutions in the courts.

The answer to the hon. Gentleman's question is that a large number of households are in the bottom two deciles, even when we have made every conceivable allowance for the small and rather errant group who are stranded at the bottom of the pile.

The Minister suggested that there was great movement in and out. We are given that impression as many pensioners have moved out because of the maturing of occupational pension schemes—

Mr. Jenkin: Good.

Mr. Dewar: Yes—good, indeed. A large number of families—including a large number who live in my constituency and those of my hon. Friends—have become trapped there, however, and have lost hope, are dependent on benefit and are offered nothing by the fiscal and economic policies of this Government. The level of alienation that is beginning to emerge ought to be a worry to every one of us.

The trouble with the Secretary of State, or with many of his hon. Friends, is that they tend to adopt the Government's statistics as absolute truth when it suits their case, but, as soon as we get a series of Government statistics that do not, they are rubbished with great energy, and we are told that they are "unsound and misleading."

The shape of the statistics leaves us in no doubt that the general proposition is that gaps have widened, with social consequences which every one of us can see—whether in the health, education, or social mobility statistics—and which are opening up real dangers for our society.

I have spent most of my political life denying that there is an underclass. I do not believe that we have reached that situation, but I seriously worry that, if present trends go unchecked, I will find it harder and harder to make that case. Once I have reached the point where I can no longer do so, we will be facing very real penalties in the form of economic efficiency, lost talents and a threat to social stability.

Some old texts are still horribly relevant. Some texts may not be familiar to those on the Conservative Benches who recognise the words of Sir Winston Churchill. I cannot resist giving the House a short quotation from R. H. Tawney, who wrote in the 1930s about what he described as the "tadpole theory". He said:

"It is possible that intelligent tadpoles reconcile themselves to the inconveniences of their position, by reflecting that, though most of them will live and die as tadpoles and nothing more, the more fortunate of the species will one day shed their tails, distend their mouths and stomachs, hop nimbly on to dry land, and croak addresses to their former friends on the virtues by means of which tadpoles of character and capacity can rise to be frogs."

The point that he was making was that it is dangerous if a society embraces the tadpole philosophy and we reach the position where the consolation that it offers to social evils consists in the statement that exceptional individuals can succeed in evading them.

We are very near the position where, if one is outstandingly able or unusually lucky, one can escape from the social evils that surround too many of our citizens. But if one is not exceptional in one of those two ways, one is lost, trapped, and in a real sense remaindered in society. That is the same argument as Sir Winston Churchill was making when he said that one would imagine that the market would put that right, and then went on to point out that the market does not put it right. That is why leaving present trends to develop is such a damaging and wrong-headed thing for any Government to do.

Unlike many of his agitating Back Benchers, I give the Secretary of State credit for knowing that that is a real difficulty which we should fear. I read his Birmingham diocesan speech, which was much commented on, and his speech to the Northern Ireland Conservative Political Centre. The speeches to which I have referred are rightly concerned not just with social deprivation but with the low-wage pressure that bears down constantly on the unskilled and manual workers in our midst.

Let me give the right hon. Gentleman a quotation:

"The dispersion of earning power has had unattractive social consequences . . . It lies behind or is intertwined with many of our social problems. It may play a major part in the break-up of families, the growth of lone parenthood and a growing welfare dependency. It may even play a part in explaining delinquency and crime!"

I would not disagree with those sentiments, which have been expressed on many other occasions by Labour Members and some Conservative Members. So despite all that has happened in the past quarter of an hour, there is an element of agreement, at least between the Secretary of State and myself, about what we should be considering in order to solve the problem.

May I give another quotation, because I like having friends on my side? Lord Lawson of Blaby, who was speaking to the Social Market Foundation in London on Monday 20 June, delivering, according to the headline, a

"verdict on Government economic policy"—

a cheery event, I should have thought—said:

"a small reduction in real earnings, although unattractive to those involved, is in itself a price well worth paying to bring down unemployment."

That is a controversial view, but that was also his view as Chancellor. He went on:

"What I did not consider, however, ten years ago, was the possibility that this process might involve levels of pay for the least skilled that a fundamentally wealthy society would rightly consider too low to be acceptable."

That is one of the problems. Right-wing economists as well as right-wing politicians are now worried about the continuing pressure that is driving down wage scales for those people, and greatly exacerbating the problems to which I have referred. It is against that background that I want briefly to discuss this issue.

Dr. Spink: The hon. Gentleman implied earlier that I despise the low-paid. I hope that he will be characteristic and withdraw that implication, because he clearly does not think that that is so, and it is not. Which does the hon. Gentleman believe is best: low pay or no job?

Mr. Dewar: I was unfair to tadpoles and to the hon. Gentleman, because they are not like for like, and therefore the comparison should not be made. The choice he offers me would be an interesting subject for discussion if it were a choice.

If the hon. Gentleman could establish that there is an inescapable choice between having some level of minimum wage but no jobs and having lots and lots of jobs but no minimum wage, I would be in a difficult situation. However, as he well knows, he cannot establish that that is the choice. He should not try to simplify the argument to help himself and then present it as a truth to the rest of the House.

Mr. Gerald Kaufman (Manchester, Gorton): If the hon. Gentleman were right, would it not be an appalling commentary on 16 years of Conservative government and alleged economic success that there was a choice between low pay and no job?

Mr. Dewar: My right hon. Friend is absolutely right. It is one of the mysteries of British politics how Conservative Ministers, who have been in power for many years, can suddenly discover problems and announce that they are tackling them with great energy, even though those problems have been happily running along unchecked for the past 15 years. We had a small example of that this morning from the Secretary of State. That is not the subject of this debate, but we shall no doubt return to it on another occasion.

My simple message is that there is exploitation, which is an unpleasant phenomenon. I took the bother of checking on some jobcentre advertisements in my constituency. I know that Labour politicians are wont to do that, but it is a matter of illustrating a simple truth. I saw advertisments for a catering assistant at £1.23 an hour; for a hairdresser at £78 for a 43-hour week; and for counter or shop assistants at between £2.00 and £2.50 an hour. On a simple moral level, there seems to be strong cause for concern.

The Secretary of State will say—and I agree with him—that work must be worth more than benefit. Low wages strike at that principle. At the extremes of the figures that I have announced, low wages can be a disincentive for those who should be searching for work.

Mr. Duncan: Will the hon. Gentleman give way?

Mr. Dewar: No, I must push on, but I welcome the Under-Secretary of State for Social Security, the hon. Member for Hertfordshire, North (Mr. Heald), to his new job. I had thought that he was a Whip, but he is a lordly creature compared with a Whip. I congratulate him on his promotion.

There are a number of arguments about the minimum wage with which I shall deal. It is alleged that only a small percentage of households would benefit from it. There is some truth in that. Unfortunately, 40 per cent. of households have no earner. However, of households with earners who would benefit—the only ones that are relevant to the minimum wage argument—a substantial percentage would do so.

If we consider the bottom three income deciles of earning households, we find that, in every case, whatever calculation is made and whichever survey we take, over 50 per cent. would benefit from the introduction of a minimum wage set at a variety of different levels. Perhaps the most obvious evidence of that is from the British household panel survey, with which some hon. Members will be familiar.

The key argument that is put up is that the minimum wage will cost jobs. I say this gently to hon. Members, but there is no clear and convincing evidence of that. If an unreasonable minimum wage is set—and one can make that judgment only in the circumstances of the time at which it will be set—it will no doubt cost jobs. That is like saying that, if the Government make a mistake with taxation or national insurance contribution policy, or any other major economic decision, the results could be disastrous. It does not mean that the policy is wrong and should not be followed. There is no evidence that a sensible and flexibly applied minimum wage will cost jobs.

Lady Olga Maitland: I urge the hon. Gentleman to clarify the minimum wage. What does what he calls a not unreasonable level mean? If it is too high, it will undoubtedly mean that employers will not be able to employ other people; if it is too low, he will be perpetrating a great con on the world outside by suggesting that he is trying to do something for the low-waged when he is not.

Mr. Dewar: I agree with the hon. Lady 100 per cent. If we set the rate too low or too high, it is likely to be ineffective, or it may have some unfortunate by-products. That is no doubt true of the Chancellor's tax policy. The hon. Lady may have a personal opinion about what the Chancellor should do in November 1996, but I imagine that, if she asked him such a question, he would tell her not to be silly, and not to bother him with futile questions. What I infer from her question—this is something I welcome—is that, if we cast the rate at the right level, it will do the job effectively.

Conservative Members should consider the international experience and the international comparisons. As many hon. Members will know, there is at the moment an argument in America, led by the research of David Card and Alan Krugger of Princeton university, which suggests that there are in fact positive labour and employment consequences from the introduction of a minimum wage.

The researchers compared states where the level of the minimum wage varies. There is, of course, a move by the American Government as a result to put up the minimum wage from $4.25 an hour to $5.15. It all depends on getting it through a Republican House where the Government are not in control, but that is the judgment of the Clinton Administration, and it is largely supported by American evidence and research.

Several hon. Members *rose—*

Mr. Dewar: I shall give way to one or two hon. Gentlemen, but, as someone said, rather daringly, I was over-liberal in letting people intervene. I must live down that reputation for a few minutes.

Mr. Denis MacShane (Rotherham): Will my hon. Friend give way to me?

Mr. Dewar: No, I have to be entirely consistent in these matters.

I mentioned the American experience, but what about the British experience? The Government undertook a careful inquiry into the Agricultural Wages Board, and a reprieve from death row was issued. Indeed, I believe that the Secretary of State for Education and Employment was involved in that, although it may have been just before her time. In any event, she will know all about it. The conclusion was that there were no adverse labour market consequences, and that the Agricultural Wages Board should survive. I think that it should, and for strong reasons.

I referred to the position of women in society. Probably three quarters of those affected by a minimum wage would be women. The following fact might attract some people to the notion of a minimum wage. For the purpose of modelling alone, let us assume a minimum wage of, say, around £3 or £3.50. I have not done the modelling, so I take the figures used by those who have. In fact,

I am using the figures of the IFS, in case some people think that they are those of some kind of kept research team of mine. I wish that I had such a beast.

The IFS discovered that a minimum wage of around £3.50 would mean that a large number of women would be brought into the national insurance contribution net, much to the benefit of the Chancellor. It would also have the effect of bringing them into benefit and pension contributions and into a level of social security that is not available to them at the moment. In the present complex and unstable situation in which many of our citizens have to live because of changing social habits and values, that is an important point to bear in mind. It is a substantial spin-off.

The Secretary of State's eyes light up with sincerity when he talks about Britain's job creation prospects—the Mais lecture was full of them about 18 months ago. However, our job creation levels are disappointing when set against those of the United States. It is very unfair to pick out one factor and assume that it is in some way responsible for that, but let us put it this way: it is not a damning indictment of a minimum wage that the better record has been achieved in the United States, a country which has had a minimum wage for a long time. If we look at the European scene, it is very much a case of everyone being out of step except our Peter. I suggest that he should think again.

The Secretary of State for Social Security (Mr. Peter Lilley): Will the hon. Gentleman tell us why unemployment, measured according to a common definition, is greater in France and Spain than it is in the United Kingdom?

Mr. Dewar: No doubt that would require complex analysis—*[Interruption.]*—but I can say to the Minister that in many countries, of which America is one, a national minimum wage has been combined with a very successful economic record.

It is interesting to note the first thing that Mr. Alain Juppé did when he became Prime Minister of France. His "dry" credentials are impeccable. He comes from a very much right-of-centre Government, from the presidency of Jacques Chirac. He is extremely worried about unemployment in France, and made that the main campaigning platform of his presidency. He hopes to improve the position, and one of the first things he did was to increase the minimum wage.

There was no suggestion of Mr. Juppé going around saying, "The British Government have got it right. My good right-wing colleagues across the channel in Downing street and in Richmond house are absolutely right. We must get rid of the wicked minimum wage, which is obviously responsible for our economic problems." No; the right-wing analysis—I emphasise, the right-wing analysis—in France is that the minimum wage should be increased. The Minister might want to consider that.

There is another important reason to introduce a minimum wage, and that is that there is in the Government's policies a strong emphasis on in-work subsidies. People who work will receive help. Almost 600,000 of those people are in receipt of family credit. As the House knows—conveniently, the figures were given in a reply to my hon. Friend the Member for Birkenhead (Mr. Field) on 12 June at column *420*—in 1988-89, family credit cost £394 million. In 1994-95, it will be very nearly £1.5 billion.

Apparently, that is one occasion when that type of escalation is not unwelcome in the Government, because they have announced their new earnings top-up measure, which will cost £75 million over three years. If that is a success—I assume that the Government believe or hope that it will be a success—I am told, in a reply on 20 July 1994 at column *255*, that extending it to all childless couples will cost another £65 million and bring in 70,000 people, and that extending it to single people, who are also being piloted, as I understand it, will bring in another 1.5 million people and cost £1.5 billion in additional cash.

Therefore, we are quite big now—even in the Conservative party—on in-wage benefits. I do not criticise that; it is not a matter for discussion in the debate, anyway. However, there is a clear common-sense argument that, in those circumstances, we should put a floor under wages to ensure that the long-suffering taxpayer does not pick up the bill as the bad employer repeatedly cuts wages and forces them down. There is a significant danger of that.

That is one of the powerful arguments recognised, interestingly enough, by the *Financial Times*, which is generally hostile, which has said that, if we are going to go down that road, obviously we shall have to reconsider the minimum wage. The argument was also recognised by *The Independent* in its leader on 31 August 1994, headed:

"Fear not the minimum wage",

in which it says:

"Neither party should be frightened off by the Government's simplistic economic arguments. Combined with a tax and social security system that better promotes work incentives for people on low earnings, a flexible framework of minimum-wage legislation would help to make companies take a more appropriate share in maintaining the low paid, rather than thrusting the burden on an over-stretched state benefits system."

That is a powerful argument, which the House should consider.

Many other things must be done. I believe that everyone in the House recognises that we should not regard the welfare state as an argument about a payment of last resort, grudgingly granted by a reluctant system. We all pay lip-service, to varying degrees, to incentives and training opportunities that try to inject hope and movement into the benefit system.

Of course, as the Minister will say, there are signs of activity and signs of conscience on the Government's part. I submit that they are half-hearted, and bear the stamp of political calculation based on that principle of essential minimum. For example, the back-to-work bonus is jam tomorrow, or perhaps jam never, for those who are not fortunate enough to find full-time employment. The national insurance contribution holiday is worth only about £6 a week, and I suspect that it will have little impact.

Perhaps the attitude of the Government can be summed up by the rather casual abolition of the Department of Employment, without any real discussion or debate. I rather suspect that it was a popular and populist move because it evicted the right hon. Member for Enfield, Southgate (Mr. Portillo) from an economic portfolio. It leaves him sidelined and living in the giant shadow of the Secretary of State for Foreign and Commonwealth Affairs, the right hon. and learned Member for Edinburgh, Pentlands (Mr. Rifkind). I suspect that that will at least be popular with the Chancellor of the Exchequer, who will feel a little safer as a result.

[Mr. Dewar]

What it will do for the sales of videos at the Conservative party conference next year, I do not know. I was interested to note that the right hon. Member for Southgate outsold everyone else by 2:1. I am glad to notice that, gallantly if still a long way back, the right hon. Member for St. Albans (Mr. Lilley) came in second place. That probably does not tell us anything about the excellence of the videos, but it tells us a great deal about the Conservative party conference.

Mr. Gyles Brandreth (City of Chester): Normally when I rise to speak, the hon. Gentleman likens me to some character from Dickens. Last time, it was Uriah Heep. I am Micawber-like today, waiting for something to turn up in terms of policy.

We have had from the hon. Gentleman 45 minutes of entertaining badinage, which was very stylistic but had no content. He mentioned one of his constituents going to the jobcentre and seeing a low-paid job. What would he say to that same constituent if he came to the hon. Gentleman's surgery and said, "You advocate a minimum wage. In today's society, this is what I am being offered. In your society, what would the minimum wage be?" The hon. Gentleman must answer his constituent.

Mr. Dewar: I am glad that I have been entertaining. The hon. Gentleman is in entertainment himself, so his accolade is one that I value. I would explain to my constituent the need for a national minimum wage and how it would operate. I would ask him to endorse the principle. If he came from my constituency, I expect that he would do so enthusiastically. I would then, as I intend to do now briefly to the House, suggest that there were a number of things that we should do and should not do.

Let us start with just one thing that we should not do. We should not follow the Government's example of continuing to cut the training budget. In England next year, the budget will fall by 8 per cent. in cash terms and 11 per cent. in real terms. I would tell my constituent that, if he wished to judge the sincerity of the Government's talk about unemployment and equipping people to compete in the employment market, he should look at what they are doing to the training budget.

I would then recommend to my constituent the package of measures that the Labour party suggested at the time of the last Budget. We would have taken those measures, but the Government did not take them. Our package followed the Government in suggesting a national insurance contribution holiday for employers who took off the unemployment register people who had been on it for more than one year. When I first saw the proposal for a tax allowance of £75 a week, it looked, to say the least, ambitious, but it would be a real incentive to take into employment people who had been on the unemployment register for more than two years.

When the policy was costed, it was found that, after some initial costs, the tax allowance would be self-financing in the second year.

Mr. Lilley *indicated dissent.*

Mr. Dewar: The Secretary of State shakes his head, but that is what reputable economic forecasters and modellers have suggested. When the Secretary of State introduces anything, he produces figures which he expects us all to accept to show that the policy is self-financing. For example, we were told that the disregard for child care costs against family credit would cost £240 million, but that £220 million of that would be recouped, and the scheme would be almost self-financing.

The secret of such measures—I am arguing that case—is that, if we can move people into work, they pay national insurance contributions, and perhaps pay tax. They are certainly not paid benefit. The Government can afford to be generous and not be half-hearted. They could try to make an impact on the unemployment problem.

I would explain such measures to my constituent. I would also point to quality child care for three and four-year-olds whose parents wished to take up that option. I would point to the disregard for working parents, which the Labour party has outlined, and the measures that we have proposed to produce some movement in the construction industry, create employment and at the same time tackle social problems.

My only problem might be that, if my constituent had a short-term attention span and wanted to get away to other things, he might find the meeting rather long. However, I think that he would be favourably impressed. He certainly would not be impressed by what has happened in this country in the past 10 years or so.

Let me conclude by saying that social problems have to be tackled. They cry out to be tackled, and we ignore them at our cost.

I am often accused of peddling the politics of envy, but I am not interested in the politics of envy—although I will give the Secretary of State an opening by saying that some of what has happened in the privatised utilities is blatantly offensive, raising ethical and moral problems that are perhaps even more pressing than any economic issue to which they attach.

In many instances, the Government's actions have handed people, on a plate, an opportunity for personal enrichment beyond what most would consider to be the bounds of reason. Few of those people could even be said to be at the cutting edge of entrepreneurial risk, and to have justified their gains on grounds of hazard. I would find it difficult to put such an argument in relation to the hierarchy of National Grid, to take just one example.

That is part of a wider picture. Perusal of the *Financial Times* shows how commonplace it is for people to take—in the form of share options, pension contributions and substantial salaries—sums that will inevitably provoke anger and bitterness among those who, for reasons that I understand, are being asked to show restraint and to accept pay limits that are very modest even in relation to the likely rate of inflation over the next year or two.

Let me give a passing example. The fact that Lord Young of Graffham, that splendid child of Thatcherism, takes the amount that he takes from Cable and Wireless while at the same time complaining about the greed of teachers has an important effect on national morale and the social cohesion that I mentioned earlier.

If we want people to pull together, we must pay attention to the symbols of our time that have been allowed to rise unchecked. If we are to deal with alienation, that will constitute a good investment in economic efficiency. We must tackle the loss of talent, the negative costs of bitterness, and the increasing instability to which the Secretary of State himself referred in the speech from which I quoted earlier.

The other day I read a book bearing the HMSO imprint but produced by the Scottish Consumer Council. It is called "Poor and Paying for it", and it examines the increasing inequality of opportunity, and other problems, of the low-paid in Scotland. It quotes a young mother from Wester Hailes, who said—with a simplicity that struck me as unanswerable—

"If you've no money you cannae buy things and do things."

Many of my constituents—not just those on benefit, but those on low wages; some of the most serious poverty is experienced by large families on poverty pay—are faced with that deadening truth, that you cannae buy things and do things. I believe that we shall all pay a price if we do not soon have a Government who are prepared to recognise the damage that is being done, and to do something about it.

4.27 pm

The Secretary of State for Social Security (Mr. Peter Lilley): I beg to move, to leave out from "House" to the end of the Question and to add instead thereof:

"welcomes the increase of 38 per cent. in average incomes and the rise in spending of all income groups since 1979; welcomes the fact that the United Kingdom has fewer people claiming unemployment benefits and more jobs than any other major European country; welcomes the creation of a new Department for Education and Employment to improve further Britain's skill base and competitive position; applauds the £700 million package of measures to improve incentives to work for those on benefits and increase the rewards of work for lower-paid families; welcomes further initiatives, such as the Jobseeker's Allowance, the Back to Work Bonus, and the pilot of an Earnings Top-up for childless people on low earnings; believes that supplementing low pay to help people into work is preferable to destroying jobs through a statutory national minimum wage and the social chapter; and recognises that improving opportunity and the reward for effort is less socially divisive than encouraging dependency and the politics of envy.".

I am genuinely grateful to the Opposition for calling the debate, which gives us an opportunity to expose the multiple fallacies that they have been peddling about inequality, employment and the minimum wage.

The hon. Member for Glasgow, Garscadden (Mr. Dewar) asked us to try to agree on the nature of the problem. He immediately went on to quote Winston Churchill, and to suggest that we faced a problem similar to that faced by Churchill in 1911. To be fair to the hon. Gentleman, he became a bit more up to date when he referred to my Ulster lecture on the dispersal of earning power.

I hope that the hon. Gentleman agrees that the low earning power of the least skilled is a problem throughout the western world. That problem is a consequence of the displacement by modern technology of many jobs that depended on brawn rather than brain, and of the fact that trade has brought into the international marketplace a great number of very low-paid but able workers to compete with ours. It is nonsense to suggest, however, that the cause of the dispersal of earning power has something to do with an increased meanness among employers—or, indeed, that those who are paid reasonably have the good fortune to be employed by generous employers, while the low-paid have the misfortune to be employed by mean employers. The fact is that, in a competitive market, employers are compelled to pay an amount that roughly reflects the value that people can contribute to the process of producing goods and services and they cannot pay more than that value or they go bankrupt. A national minimum wage simply means that anyone whose earning power is limited by an inability to contribute as much as the minimum wage will not have a job.

The basic problem, which I hope hon. Members on both sides of the House will agree exists, could be tackled only by improving people's earning power through better education, training and skills, which are often acquired at work—so we should not drive them out of work through a national minimum wage or the social chapter—through in-work benefits to help supplement their earnings, and through deregulation that will reduce the other costs that reduce employers' ability to earn.

That should be our starting point, but it obviously is not because the Opposition come up with policies that are incompatible with that analysis. With your permission, Mr. Deputy Speaker, I shall take the issues in the order in which they appear in the Opposition motion. They begin by referring to "widened social division" and "damaging inequality". Since even before the Rowntree report appeared, the Opposition have been using figures relating to the incomes of the bottom 10th of households to suggest that low income is a static condition from which people cannot escape, and that the poor are getting poorer. Unfortunately for the Opposition, the recent Institute for Fiscal Studies report does blow a hole in that thesis. That report showed that low income is not a static condition from which people never escape. On the contrary, up to half of those who were in the bottom 10th of incomes in 1991 had risen out of that band a year later. Overall, the incomes of those in the bottom 10th had risen by a quarter over that year.

Moreover, as measured by their expenditure, the standard of living of households in the bottom 10th of incomes, far from falling since 1979, has risen by 30 per cent. in real terms. That evidence is supplemented by that from the new earnings survey, which gives figures for the movement out of the bottom 10th of earnings over a longer period. They show an even more dramatic picture. One in 10 of those in the bottom 10th of earnings five years ago have succeeded in reaching the top 10th of earnings today. In short, far from the poor getting poorer, many of them have been getting richer and most of them have been getting less well-off.

Mr. Kaufman: Yes, that is true.

Mr. Lilley: Most of them have been getting less poorly off.

The Opposition, however, are not solely or even primarily concerned about the bottom 10 per cent. They are far more concerned to stir up resentment against the good fortune of the top 10 per cent. It is against them that the politics of envy have been deployed. It is true that the top 10 per cent. have seen a more rapid increase in their incomes than the national average—I willingly concede that—but who are these bloated plutocrats whose well-being has allegedly been obtained at the expense of the least well-off? Let us get one thing clear: they are not all Cedric Browns. The hon. Member for Peckham (Ms Harman) might try and suggest that they are, and the handful of highly publicised cases of privatised industry directors may be distasteful, but the total impact on the top 10th is negligible because more than 5 million people are in the top 10th of households.

The Rowntree report produced what it called a "UK Income Parade". It drew out 50 households from the survey that it was using for its research. They represented

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different income distribution points from bottom to top. It said that, if people's heights had reflected their income, we would see

"a parade of dwarfs and a few giants".

It is worth seeing who the giants are, according to the Rowntree report. At the threshold of the top 10th of incomes we find a household comprising a single man who lives in a council house and who has a take-home pay of £311 per week. In the view of the Opposition, he is getting on towards being stinking rich. In the middle range of the top 10th of incomes we find a 57-year-old freelance journalist earning £30,300 per year gross, whose wife works part time as a manager of a day centre on a weekly wage of £115. Alas, like all the cases in the report, he is anonymous. It would be poetic justice if he wrote articles for *The Guardian* denouncing the widening social divide and damaging inequality without realising that he had been selected by the Rowntree report to typify the stinking rich. The biggest giant in the parade is a 60-year-old man earning £47,300 gross, whose 58-year-old wife is on invalidity benefit.

It is not possible to tell from the Rowntree report what the wage earners in other representative households in the top 10th do. However, judging from their salaries, they could include a police officer married to a senior nurse, a head teacher of a large comprehensive married to a primary school teacher, or a Member of Parliament married to his secretary. Labour believes that they are the sort of people whose salaries are too high and whose taxes are too low. According to Labour, they are the cause of damaging inequality and social division. When Labour Members talk about soaking the rich, they should make it clear that they mean taxing the middle classes. It is not just the Cedric Browns who are in the firing line: journalists, policemen, teachers and nurses will be the real victims of Labour's politics of envy.

Labour Members are divided in their views about redistribution. The hon. Member for Birkenhead (Mr. Field)—who, alas, is not present in the Chamber—recently wrote:

"There is no general ground swell amongst middle-class groups for redistribution of wealth to the poor . . . Politicians who maintain otherwise are a public menace distracting from the real task."

Six days earlier, the hon. Member for Garscadden had written in *The House Magazine*:

"An element of redistribution is a vital investment in social stability which matters for us all".

I shall leave it to the two hon. Gentlemen to fight among themselves about what the Opposition policy should be and who is or is not a public menace—but if the cap fits, wear it.

Mr. Dewar: Dear me—a phrase maker. The right hon. Gentleman is constructing an imaginary Labour economic policy. No doubt he derives some satisfaction from that and it furthers his cause, because he can then knock it down. However, I do not know of anyone who has said that we shall "soak the rich", and certainly not the sort of people to whom he referred.

In my speech, I was very careful to say that the abuses and offences that have emerged—and to which the Prime Minister has admitted—in the private utilities and certain other sectors of the economy pose an ethical and a moral problem rather than an economic problem as such. We believe that it is very bad for the morale of this country to allow that practice to go on unchecked. We also believe that the emphasis should be on opportunity and giving people a chance—which the market does not at present afford—to better themselves and to improve their quality of life.

Mr. Lilley: I believe that I am correct in saying that the hon. Gentleman referred to the Rowntree report and the figures it cites—he certainly did so in a previous debate—which he appeared to endorse. They are based on an analysis that the top 10th of income earners are getting more and the bottom 10th are getting less. The hon. Gentleman referred today to the widening division, but if he is simply talking about the division between half a dozen privatised industry directors and the 5 million people at the bottom of the income scale, he is clearly misleading people, to say the least.

Mr. David Nicholson (Taunton): The hon. Member for Glasgow, Garscadden (Mr. Dewar) referred to people being able to better themselves and improve their quality of life, and in his speech he talked about frogs and tadpoles—I have been meditating on that fable ever since. Does my right hon. Friend agree that, thanks to the Government's efforts, in the past 10 to 15 years many people have been able to better themselves through participation in higher and further education?

Mr. Lilley: My hon. Friend is absolutely right. At the time when he and I entered Parliament, we set the target of increasing the number of people in higher and further education from one eighth to one third by the end of the century. We have already achieved that proportion of school leavers entering further and higher education.

The next issue raised in Labour's motion is the merger of the Department of Employment with the Department for Education, which the motion alleges signals

"the complete lack of Government concern about unemployment".

That is the precise opposite of the truth. I shall leave my right hon. Friend the Secretary of State for Education and Employment to rebut that allegation in detail. Suffice it to say that the best key to a good job is the skills and educational attainment to contribute to the production of goods and services. Employment training and education are therefore intimately linked. It is right that Whitehall's structure reflects that, and it is absurd that the Opposition should want to dismantle it.

Mr. Dewar: I quoted figures, which I understand are accurate, about the reduction of the training budget this year as against next year. I believe that that will continue a trend that has existed for some time. How does the Secretary of State explain that reduction, in terms of the commitment that he is parading?

Mr. Lilley: We believe in increasing the total quantum of training and the total quality of training and education in the economy. The vast bulk of it applies in work. The key for many people is getting jobs in which they can build skills and expertise. We are more keen on that than on simply setting up ever more schemes, as the Opposition would like us to do.

The third issue raised by the motion is

"action which promotes employment opportunities",

which is precisely the action that the Government have been taking, with growing success. It is also just what Opposition policies would undermine.

Our success is best measured by comparing our performance with our partners in the European Union, who already implement the policies that Labour advocates. Unemployment in the United Kingdom is below the EU average and falling faster than elsewhere. Britain has a higher percentage of people of working age in work than any other major country in the European Union. Moreover, the number of people in work rose by more than 1.5 million in the UK between 1979 and 1990—the last two peaks in the Organisation for Economic Co-operation and Development cycle—while it fell in the rest of the European Community.

Opposition claims that falling unemployment in Britain is not leading to more people in work are not true. Over the past 12 months, the number of people in work has risen by nearly 300,000. Claims that those extra jobs are all part-time, female, low-grade jobs are equally false. Only 5 per cent. of those extra jobs have been taken by women working part time. Two thirds of all the jobs created over the past year have been full-time jobs, and 70 per cent. have been taken up by men. The most rapid expansion has been in professional and managerial jobs.

Our success in generating more employment opportunities is based on a threefold strategy—first, improving education and training by ensuring that the right subjects are taught through the national curriculum, which Labour opposed; raising standards through testing, which Labour opposed; through parental choice, which Labour opposed; and through publishing school performance, which Labour opposed.

The second leg of our strategy is to improve competitiveness by avoiding the burdens of the social chapter, reducing payroll taxes where possible and deregulating enterprise. Labour would destroy competitiveness by opting into the social chapter. The third element of our strategy is to increase work incentives through in-work benefits.

Family credit already helps to make work worth while for 600,000 parents. Last week, I published the Green Paper on our plans to test a new earnings top-up benefit for people without dependent children who have limited earning power. There is a case for making work more attractive for such people—to encourage people to get on to the employment ladder, since most skills and experience are acquired in work.

If that pilot study is successful, it should benefit the least well-off. It should also benefit the taxpayer, because it costs more to keep people out of work than to top up earnings in work. The figures that the hon. Member for Garscadden quoted were from some while back and related to the possible extension of family credit to all people without families. On the basis that we are proposing, the cost—even assuming no offsetting reduction in unemployment—will be one third that which the hon. Gentleman claimed.

Mr. Dewar: I am sorry to interrupt the right hon. Gentleman again, but this is an important point. I accept his correction in respect of the cost. Our case is that there ought to be a floor under wages, to stop employers setting lower and lower wages for people entering the employment market, leaving a greater and greater strain to be taken by the taxpayer. Does not the right hon. Gentleman acknowledge that danger? Will checks and balances be built into the system, to prevent such a thing happening? It would help the right hon. Gentleman's case—I put it no higher than that—if he could satisfy the House that there is no such danger.

Mr. Lilley: We are undertaking a pilot study, which is a major departure from social security policy and a sensible one, to ascertain whether such a benefit would assist not only the people who receive it but the whole economy. The test will be whether it helps people back to work, improves their take-home pay in work and encourages job creation. If the answer to those questions is no, with wage reductions offsetting the benefits to employees and no growth in jobs, we shall examine those factors. If the hon. Member for Garscadden is not 100 per cent. sure—and I submit that no one could be 100 per cent. sure—of his case for a national minimum wage, why does not Labour propose testing it on a pilot basis?

Ms Harriet Harman (Peckham): The case for minimum wages was proven by the wages councils.

Mr. Lilley: The hon. Lady can try to make that case later and see whether the House finds it credible.

Ms Harman: The Secretary of State asked whether there could be a pilot scheme for a floor under wages by law. We had such a scheme from 1909, under the wages councils, until the Government abolished them. We do not need a pilot scheme, because we know that a floor under wages is necessary.

Mr. Lilley: Given that since our reforms, including those affecting wages councils, the UK has been more successful in increasing the number of jobs than most other countries, the suggestion is that the test has gone not in the hon. Lady's favour but in ours, and it should strengthen the economy as more people will be working and fewer kept idle.

Our approach is the opposite to that of the Opposition, who have consistently criticised in-work benefits. A national minimum wage would cut off the bottom rungs of the employment ladder and reduce opportunities for people to get into work and to increase their earning power through the expertise and skills that they may then acquire.

The final element of the Opposition motion is the claim that a national minimum wage would protect low-paid people. Any hope that a national minimum wage would help the lowest-income households is fallacious. Only 3 per cent. of families in the bottom 10th by income contain a full-time worker on low pay. The bulk of low-income households are on benefit, self-employed, retired or have large families. By contrast, many of those earning low pay are providing a second income in households with quite high total incomes. As a result, the Institute for Fiscal Studies calculates that, even before allowing for job losses, a national minimum wage would actually help the best-off 30 per cent. of households more than the least well-off 30 per cent. I cannot really believe that that is Labour's objective, although I may be mistaken.

There are three questions on the national minimum wage that the Opposition must answer if they are to be honest with the electorate. First, at what level would they pitch it? We have been given no answer today. Secondly, to what extent would the Opposition expect or allow differentials to be restored for wages above that level? Thirdly, how many jobs do the Opposition believe would

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be destroyed as a result of their policy? What distinguishes new Labour from old Labour is its refusal to answer or even to deal with such questions.

This is not a new issue. Barbara Castle, as Secretary of State for Employment, set up an inquiry into a national minimum wage. Her conclusion was unequivocal:

"The introduction of a national minimum will add to labour costs. This could in turn increase the level of unemployment . . . The alternatives would either be a substantial increase in costs or, more likely, some reduction in employment both for men and still more seriously for women, with the worst impact falling on the least prosperous areas".

So the Government of that day ruled it out.

The last Labour Government likewise rejected the idea. The former Chancellor, Lord Healey, is on record as warning his party in his best silly-billy manner:

"Don't kid yourselves—the minimum wage is something on which the unions will build differentials."

Then, in the 1980s, the hon. Member for Birkenhead—

Mr. MacShane: Is that now the difference between old Tories and new Labour? We pray in aid Sir Winston Churchill; they pray in aid Barbara Castle.

Mr. Lilley: I suppose it is. The interesting thing is that new Labour seems to have disowned every previous Labour Government—and quite a few current Labour spokesmen.

In the 1980s, the hon. Member for Birkenhead, Chairman of the Select Committee on Social Security, published an excellent book called "The Minimum Wage—Its Potential and Dangers". In it he wrote:

"The employment consequences of implementing a National Minimum Wage are serious, but if the trade union movement decided on a policy of re-establishing differentials, the effects would be little short of disastrous."

More recently, in his characteristically robust way, the right hon. Member for Kingston upon Hull, East (Mr. Prescott) has said of a minimum wage:

"I knew the consequences . . . were that there'd be a shakeout—any silly fool knew that."

In short, not just this Government but all previous Labour Governments—and, until now, the Opposition—have always accepted that a national minimum wage would destroy jobs. But just recently the Opposition have done a volte face. On the basis of a survey involving telephoning 400 fast-food outlets in New Jersey, they now claim that a minimum wage can increase jobs. That really does sound like a drowning man clutching at a straw. The OECD has examined all the evidence from the United States, and it is clear that the weight of the evidence from there and elsewhere suggests that minimum wages destroy jobs.

The hon. Member for Garscadden said that the American experience of the past few years, despite the existence of a minimum wage, was successful in creating jobs and proved that a minimum wage was no obstacle to that; but of course over that period the real value of the minimum wage has fallen by a third. So its impact in terms of job destruction has been declining. Small wonder, then, that America has been doing increasingly well.

Mr. Dewar: I really think that the right hon. Gentleman is overstating his case in a way that does him no good. Despite what he has said, there are many countries—we have discussed one or two of them: America, France, and there are many others—with minimum wages and with no intention of retreating from them. And some countries in eastern Europe—not necessarily a good parallel, I admit—are thinking of moving to a minimum wage system, on the basis of evidence from western Europe and north America.

I agree that there is a conflict of evidence, but there is a large body of evidence to the effect that there are no adverse labour market or employment consequences. Indeed, in a parliamentary reply on 4 November 1992, the Department of Employment was good enough to list a large number of those countries.

Mr. Lilley: When I asked the hon. Gentleman why France and Spain, which differ from us in having a minimum wage and the social chapter, suffer from higher unemployment, he was unable to give me a single reason—he said that the question would need complex analysis. But it is a prime question that any advocate of a minimum wage ought to have asked himself, and answered, before choosing to inflict it on his own country.

The hon. Member for Garscadden claims that there is no suggestion in France that the minimum wage is a problem. That is to ignore the fact that the previous Prime Minister, a member of the same party, proposed a reduction of the minimum wage for young people and withdrew that proposal only in the run-up to the election because it was proving politically unpopular. He withdrew it in the face of political agitation—

Mr. Dewar *rose*—

Mr. Lilley: The hon. Gentleman has already intervened three or four times. If he failed to make his points in his own speech, that speaks for itself.

The Labour party now bases its case on studies that tacitly assume that in some areas some firms are effectively the only employers of unskilled labour and can therefore depress wages below the market clearing level. A minimum wage can be harmless only in those limited circumstances, and to the extent that it is geared to offsetting such power. Labour's research certainly cannot be used to justify a statutory national minimum wage.

A more logical approach, for anyone who believes Labour's research, would be to encourage more competition from more new businesses and to bid up wages to the market clearing level in the areas where they are artificially depressed. But Labour does not even seem to recognise the implications of the research on which it leans so heavily.

One thing is clear: the level at which the minimum wage is set would be crucial. Once it is known, academics can work out the implications. More importantly, employers and employees can work out whether they would move from low pay to no pay. That is presumably why the shadow Employment Secretary has decided to refuse to tell us what the level would be. We are told that it will not be set until after the next election.

That rather cynical ploy has backfired, however. The hon. Member for Nottingham, South (Mr. Simpson), secretary of the Campaign Group, said:

"it would be to our advantage to be a party that says what it means and means what it says, and that means something specific about the starting level of the minimum wage."

The ploy has also caused alarm among the brothers—and other relatives—in the trade union movement. They fear another retreat, so they want a firm commitment to a

specific minimum wage. Indeed, Mr. Jack Dromey, a recent contender for the leadership of the Transport and General Workers Union, has urged the unions

"to campaign to persuade Labour to adopt a minimum wage figure of between £4 and £5 an hour before the election."

No one is better placed to persuade Labour than Mr. Dromey. He is, after all, the husband of Labour's shadow Employment Secretary. Perhaps I should call him Mr. Harman in politically correct circles. One can imagine the pillow talk in the Harman household. After a hard day's campaigning in the Labour movement, he returns to the household and says to his spouse, "Couldn't we be united for £4 or £5 an hour?", at which Mrs. Dromey turns away with a sigh: "These numbers give me a headache—you'll have to wait until after the election."

The fact is that the Labour party is refusing to answer the questions that any honest party should answer if it is to come clean with the electorate—

Ms Harman: The right hon. Gentleman is giving me a headache now.

Mr. Lilley: That is not so much of a problem in my case. I fear that none of the blandishments from people in the Labour party, least of all from Mr. Harman, will work. The Opposition are in retreat, on this issue as on so many others, at least until the next election. They have retreated on nationalisation, and changed clause IV. They have retreated on tax, and abandoned John Smith's plans. They have retreated on nuclear weapons and on trade union reform, and they are retreating here because we are winning the arguments.

It is a tactical retreat, however. The right hon. Member for Sedgefield (Mr. Blair) has adopted the tactics of the man who walked backwards into a cinema in the hope that the attendant in the box office would think that he was leaving. But I believe that the electorate will see what the Opposition are up to and will realise that this is only a temporary retreat.

The Labour party offers new rhetoric for old policies. Scratch the soundbites and we find the politics of envy posing as egalitarianism, a job-destroying minimum wage masquerading as help for the low-paid, and a policy that will deepen dependency pretending to be an offer of help to those coming off the dole. By contrast, we offer a hand up as well as a handout, opportunity instead of envy and the chance for people to gain their first experience of the workplace. The debate offers a welcome chance for the electorate to compare the cynical politics of the Opposition with the practical policies that we, the Government, spell out day after day.

4.59 pm

Mr. Gerald Kaufman (Manchester, Gorton): In his closing words, the Secretary of State spoke about the electorate's views on the debate. If my constituents had been able to listen to the right hon. Gentleman's speech—it contained the cheapness that we expect of the person who made a xenophobic speech at a recent Conservative party conference, and did not fall below his usual level but kept up to that which we expect—they would have been left bewildered and dismayed but with the knowledge that the Secretary of State is the man who is responsible for their having to survive day after day in grinding and hopeless poverty.

I represent tens of thousands of people who live in great poverty. I represent many thousands who are unemployed. That the Secretary of State should make a debating speech based on stale statistics when my constituents are looking to Parliament for some hope and some salvation tells us why the Government are running out of time and why they will be rejected by the electorate as soon as it has an opportunity to do so.

My constituents live in terrible poverty. Of the 634 constituencies in Great Britain, Gorton is No. 35 when it comes to unemployment. Male unemployment is 21.8 per cent., which is more than double the national average. Overall unemployment is 15.5 per cent., which is almost double the national average. In Gorton, 38 per cent. of the unemployed have been unemployed for more than a year and 35 per cent. of the unemployed are under 25 years of age. Youth unemployment in parts of my constituency reaches 47 per cent. The Government respond to that situation with the cheap and facile remarks that were made by the Secretary of State.

People are desperate for a job; when they get a one, they have to live as the victims of their employers. I wrote to a Secretary of State for Employment about one of my constituents who is a security guard. He works 64 hours one week and 72 the next. He is paid no overtime and is not permitted to join a trade union to get the protection that it could offer. His employer reduced his hourly pay from £3.02 to £2.35. I wrote to the then Secretary of State for Employment and asked what recourse my constituent had in that appalling predicament. He was working all the hours God sent, yet saw his pay reduced.

The then Secretary of State wrote to tell me that the man could resign his job. That would have been extremely useful, bearing in mind that he lives in a constituency in which about a quarter of the males are unemployed. He would not have had much hope of other employment. Furthermore, if he had taken that course, he would not have been eligible for the benefit that comes when a job is lost involuntarily. That was the studied advice of the Government to one of my constituents who was being exploited by his employer, as so many of my constituents are.

Many of my constituents live in poverty that it is fair and accurate to describe as abject. A third of the population of Manchester has to have recourse to income support; my constituency is poorer than the Manchester average. In Manchester, 43.7 per cent. of households rely on housing benefit, which is one of the indices of poverty. On that index, Manchester is the poorest city in the country. My constituents are poorer than the people of Manchester as a whole. The proportion of them who live on housing benefit is even higher than the 43.7 per cent. in Manchester.

In Manchester, 24.8 per cent. of children have to have free school meals. As I have said, my constituents are poorer as a whole. Thirty per cent. of households in Manchester have lone parents with children. Indeed, 29 per cent. of the children in the city live in that circumstance. How are those women—overwhelming they are women—to survive? How are they to get jobs in an area of extremely high unemployment? How are they to bring up their children in a way that will keep them off drugs, off the streets and out of crime? How are they to achieve all that when they are living in a literally hopeless situation?

I read in the newspapers this morning that the Secretary of State is to conduct a drive against bogus applications for social security benefits. My constituents are as firmly

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against bogus applications for social security benefits as anyone else. It would be a good idea if the Secretary of State also conducted a drive to ensure that honest people who are truly eligible for benefits knew how to get them and were assisted to get them.

Some of my elderly constituents are being deprived of benefits. Although we try to tell them that benefits are available, the Government do not make a determined effort to let them know what they can get. A couple in the Fallowfield area of my constituency—they are both aged 85—do not receive income support. The wife receives the higher rate of attendance allowance. Their joint pensions amount to £119.06. It was found that, because they were not aware of the benefits for which they could apply, they were worse off by £51.65 a week. It would be a good idea for the Secretary of State to do something positive and determined to ensure that such people receive the benefits to which they are entitled. In all conscience, the benefits are not very large, even when they are increased.

An 87-year-old woman in the Gorton area of my constituency has never claimed income support because she has "been frightened to". I quote her words. What sort of Government are we living under when an 87-year-old woman is frightened to apply for a benefit for which she qualifies? She has been living on £59.49 a week. It transpired that, if she had been properly advised by the Benefits Agency, she could have been receiving another £75.76 a week.

A couple in Levenshulme in my constituency have been living on £118 a week. When investigations took place, it was found that that couple could get their benefits increased by £57.60 a week.

Why do not the Government go out of their way to try to assist people in that position? Why do not they try to introduce a culture of benefit in which a woman in her 80s is not afraid to apply for the benefit to which she is entitled?

I understand that the Secretary of State is—I agree with him on this—opposed to the introduction of an identity card, but in Cabinet he is arguing for the introduction of an identity card for people on benefit. I beg him not to proceed. If he does, he will codify for ever the fact that we have two nations—those who are on benefit, and those who are not. We would have inferiors and superiors, based not on merit or virtue but circumstances and misfortune. It would be a very black day if we were to separate our constituents, whatever our party, into two groups.

Because of the poverty in my constituency and because of unemployment—and not because of a dependency culture but because of a need for benefit, which does not prevent people from living in poverty—we have health problems of which those who live in and who represent the more affluent parts of the country are simply unaware.

Mr. Barry Porter (Wirral, South): I agree with the right hon. Gentleman that it would be entirely appropriate for people to be given as much information as possible so that they can claim the appropriate benefit, but would not the suggested card go a long way towards meeting that desire? If people have the card, it would be up to the appropriate authority to ensure that people received the benefits to which they were entitled. I thought that that was the argument.

Mr. Kaufman: Let us take the 87-year-old woman who was frightened to apply. I do not know what good a card would do for her, or is the hon. Gentleman saying that everyone on a retirement pension should have a smart card? If everybody on a retirement pension was, therefore, regarded as an inferior member of the community, millions of pensioners would rise up in anger against the suggestion.

I shall, for a moment, consider health in the city of Manchester. As everybody knows, poor health often derives from poverty. The poverty and ill-health indices of the wards in our city correlate. In our city, the incidence of an array of illnesses and diseases is far higher than it is in the country as a whole. If England and Wales is an index of 100, the incidence of ischaemic heart disease in Manchester is 161 for males and 173 for females. For lung cancer, it is 214 for males and 204 for females. For cerebrovascular disease, it is 186 for males and 144 for females.

The mortality ratios in the city for all causes, remembering that the national average is 100, is 163 for men and 148 for women. If babies and infants in Manchester had the same experience as the average for England and Wales, the total number of still births and deaths in the first year of life would be 75 instead of 104—nearly 30 more. If one takes the weight of children at birth, which is a strong index of poverty, one finds that 6.7 per cent. of children born in England and Wales weigh less than 2,500 g. In the city of Manchester, the figure is 9 per cent. In the Gorton, South ward in my constituency, it is 9.8 per cent. In the Levenshulme ward it is 10.71 per cent. In the Rusholme ward it is 10.29 per cent.

Those are all indices of poverty. They are indices of women who are fighting to get a decent diet, fighting to survive, and giving birth to babies who are smaller than the average and thus subject to a greater risk of ill health—if they survive at all.

Poverty has an effect on childhood mortality rates in the city of Manchester. The rate of perinatal mortality in England and Wales is 7.5 per cent. In Manchester, it is 9.9 per cent. The rate of still births in England and Wales is 4.2 per cent. In Manchester, it is 6.4 per cent. The rate of infant mortality in England and Wales is 6.5 per cent. In Manchester, it is 8.4 per cent. It is important that I repeat that, by and large, the figures for my constituency are worse than those for the city that I represent.

Mr. Alan Howarth (Stratford-on-Avon): I am grateful to the right hon. Gentleman, who speaks feelingly on behalf of his constituents, for giving way. Is he aware that international research material, assembled and reported on by Richard Wilkinson of Sussex university, demonstrates that societies in which there are greater inequalities of income experience worse indices of ill health and early mortality than societies in which the income differentials are less wide, and that the kind of poverty that he is describing is detrimental to the interests and, indeed, the health of us all?

Mr. Kaufman: I am deeply concerned, as anybody who represents and lives among the people about whom I am talking must be, as there is not just the problem, the sadness, the desolation of individual poverty and suffering, but the loss to the country because of what is happening.

I shall give an example of what my constituents have to put up with, to demonstrate to the House that what happens in Gorton and elsewhere in Manchester is not an accident but a consequence. It is a consequence of the unemployment, of the low income. It is a consequence of inadequate medical provision. We have in my constituency the Gorton medical centre. It operates from something that scouts would be ashamed to use as a hut. It has been condemned as unfit by the Health and Safety Executive. The doctors in the medical centre have put forward a plan for its rehabilitation, which would cost £150,000. So far, that money has not been made available. I have had discussions and correspondence with the right hon. Member for Surrey, South-West (Mrs. Bottomley), who has just ceased to be Secretary of State for Health, and nothing whatever has been done to put it right.

There are 9,000 people on the patient lists of the Gorton medical centre. I have visited it on a number of occasions. The waiting room is so small that there is not room for everybody to sit or even to get in. Pensioners, pregnant women and women with babies have to stand, or even to stand outside in the street. We need £150,000 and the money is not coming, yet in March the High Court found that the very family health services authority that is refusing to provide the money had unlawfully spent £250,000 on employing what it calls eight facilitators. The authority has broken the law and it has wasted £250,000—way beyond the amount needed to put the medical centre into decent condition.

I have not only written but spoken to the previous Secretary of State for Health about this, yet almost four months after the High Court found that the money had been unlawfully spent, nothing has been done either to put the matter right or to penalise the people who broke the law just as much as muggers and other criminals break the law. Some £100,000 more than we need for my medical centre has been wasted, and nothing has been done about it. It is all very well for the Under-Secretary of State for Social Security, the hon. Member for Monmouth (Mr. Evans), to smirk. I hope that if he had such a situation in his constituency, he would raise the matter on the Floor of the House. As a junior Minister, he sits smirking at a matter that is extremely important to 9,000 of my constituents and their families.

The Parliamentary Under-Secretary of State for Social Security (Mr. Roger Evans): The right hon. Gentleman's comment that ultra vires acts were akin to mugging was surely slightly fanciful, or will he now extend such condemnation to, for example, the Clay Cross councillors?

Mr. Kaufman: I did condemn the Clay Cross councillors when I was a Minister in a Labour Government. When we introduced a Bill indemnifying certain councillors who had refused to apply the Housing Finance Act 1972, I excluded Clay Cross councillors because I did not believe that they were worthy of indemnification. The sniggering and cheap little Minister is wrong in his sniggering, cheap little intervention in my speech, in which I am talking about decent people who want decent health care.

There are other aspects of poverty in my constituency. We now have no local authority public housing programme, and private sector housing has halved, so we have people living in appallingly poor accommodation. We have people who, as a result, find that their marriages are being broken up. We have people who, as a result, are having to move out of the area and to apply for accommodation under the homelessness provisions which, under this Government, are turning some people into millionaires. We do not have much growth industry in my constituency, but the one growth industry that we do have is homelessness. We have people who are taking money from public funds and using it to grow rich out of the misery of people who cannot find a decent home.

This debate is about differences in life styles and about differences in life chances. My constituents are deeply deprived of the chances in life that would enable them not only to live contented, fulfilled lives, but to make a contribution to the country. Let us be clear about this. My people in Gorton are as richly talented as anybody else in the country. They have an ability to contribute to this country just as much as the constituents of Ministers and, when they are given the opportunity, they make that contribution. I have people who have set up a company that has developed an invention in which they are interesting major companies. They are doing their best. I have a teenage Asian constituent who has won a film-making prize and who will, I hope, make his way in the film industry.

My constituents have a great history of contribution to the national economy. If one goes to the railway museum at York, one sees superb, gleaming locomotives which have on them plates saying "Made in Gorton". Locomotives cannot be made in Gorton now because there are no suitable factories—in fact, we have few factories of any kind. It would be tragic not only for my constituents, but for the country, if the people who sent me to Parliament were not able to make in future the contribution to the country's prosperity and liveliness that they have been able to make in the past.

I devote myself to these issues to a large degree because my heart breaks when I meet people at advice bureaux and when I meet people in the street and see what lives of desperation and desolation so many of them live. I regard it as my function, in so far as I have a function of any relevance, to come to the House to speak for the people whom I represent. I shall continue to do so until we have a Government who put them first.

5.24 pm

Sir Michael Neubert (Romford): The right hon. Member for Manchester, Gorton (Mr. Kaufman) has painted a bleak picture of the constituency and the city that he represents. As the House knows, I am a London Member; I have lived and worked in or around London all my life. I cannot judge whether the right hon. Gentleman's picture of Manchester is accurate because I do not know that city as well as I know my own. I can say that it must be a dispiriting experience for the right hon. Gentleman as he prepares to retire from the House and to enjoy a leisurely—

Mr. Kaufman: I appreciate the hon. Gentleman's kind words. However, I have been chosen as candidate for the next election. The boundaries of my constituency are completely unchanged and I had a majority of 16,279 at the previous election. I have, therefore, a reasonable hope of being returned at the next election.

Sir Michael Neubert: Talk of retirement may have been a result of hope rather than actuality. I congratulate

[Sir Michael Neubert]

the right hon. Gentleman on his good fortune; he will be here for a few years more. None the less, it must be dispiriting, after his many years of service to the House and to his constituents, that things should be so bad in his constituency. He must ask himself how the situation has come about. It cannot be accepted that it has come about as a result of 16 years of Conservative Government and that no part has been played by local government in creating the culture that the right hon. Gentleman has so vividly described.

I also find it extremely difficult to judge by individual cases, such as the lady whom the right hon. Gentleman mentioned, who was frightened of applying for income support. He gave no explanation of why the lady should be frightened. I have never come across such a person. We have a substantial welfare state to provide for people in need, as this lady obviously was. What I have found among the older generation is a residue of the spirit of self-reliance and independence which sometimes persuades elderly people that they should not claim from the state even though they are entitled to do so. I am sure that the right hon. Gentleman has educated the lady about her entitlements and rights and that he has dissuaded her from believing that she should not claim money to which she is entitled. I believe that it is a misnomer to say that she is frightened and that it is a slur on our social security system.

I also speak as someone who finds it hard to believe in the right hon. Gentleman's remedy. The only remedy he offered was to embrace and to continue to support the Labour party which, if anything, promises to aggravate the situation he has described rather than to reverse it. As I shall explain, there are two important aspects of employment policy with which the Labour party would threaten the existing level of employment in Manchester. We agree on one thing—that the relative degree of poverty is closely associated with unemployment—so anything that increases unemployment in Manchester would be a disaster. I believe that that is the direction in which the Labour party is heading.

I comment on one or two aspects of employment policy as chairman—perhaps I should say former chairman—of the Conservative Back-Bench employment committee. When I saw the outrage with which the hon. and learned Member for Leicester, West (Mr. Janner) greeted the announcement of the Government's decision to change the structure of the Department of Employment and to merge it with the Department for Education—on Thursday, he called it a "blazing scandal"—I was wryly amused.

Mr. Greville Janner (Leicester, West): I shall say so tonight as well.

Sir Michael Neubert: I am sure that, as the hon. and learned Gentleman says, he will make a similar case tonight.

The motion refers to the Government as having

"brought insecurity to millions of people."

That motion should be resisted. It must be conceded that the career prospects of one or two people—such as the hon. and learned Member for Leicester, West and the hon. Member for Peckham (Ms Harman)—have received a setback, and that would not be the first career setback in the Harman household in recent weeks.

The merging of the Department of Employment with the Department for Education is a rational and logical development, as employment and education are natural allies. Some years ago, the historian Corelli Barnett made the point that this country had not placed as great an emphasis on vocational education as other countries in Europe, and that is certainly true. In bringing the functions of employment services and education together, we can provide the greatly needed bridge between vocational and academic qualifications.

Unfortunately, in the 1970s, some teachers—although not all—were the worst possible advisers for their pupils. They said, "Look at the world. There are millions of people out of work. What is the point in working for exams?" However, the opposite is the case. When there is a high level of unemployment, skills are very much in demand, and the higher the level of skill, the better the chance one has of employment. Those few teachers who advised their pupils in that way did them a grave disservice and betrayed them. Qualifications will be increasingly important in getting a job. The merger has underlined and reinforced that point.

I hope that the merger will result in greater public understanding of the connection between qualifications and getting a job, as that would be of great benefit to Britain. Changing technology requires continuous education, and I very much welcome the change of the structure of government. My right hon. Friend the Secretary of State for Education and Employment is the ideal person to bridge the two worlds. With her experience in both Departments, she will make a great success of her new post in the Government. I wish her the very best of luck.

The Opposition motion states that the Government's policies have "widened social division". There are divisions in this country, an important one being the division between those in work and those out of work. Like my right hon. Friend the Secretary of State, who opened the debate, I am astonished that the Labour party has chosen this wide theme for an Opposition Supply day. The debate enables us to point to the Government's success in reducing unemployment by 660,000 since 1992, while at the same time giving us a chance to point to the Opposition's policies, which would have the opposite effect. The Opposition's policies of adopting the social chapter and a national minimum wage would increase unemployment.

The Opposition amazingly have given the Government an opportunity to speak on the theme where they score well, as well as allowing us to concentrate on the area where the Opposition are weakest and most vulnerable—the threat to employment embodied in the social chapter and the national minimum wage. Like anyone in life, I believe in taking the opportunities that are offered, and I should like to speak on some aspects of the matter.

The Government—almost uniquely in Europe—have achieved success in reducing unemployment. I have mentioned the figures since 1992, and unemployment has fallen in nearly every month for almost three years now. That is a greatly encouraging trend. There are fewer people claiming unemployment benefit in this country than in any other major European country. Similarly, 69 per cent. of adults in this country have jobs, and that is more than in any other major European country.

There is a wide range of schemes to assist the long-term unemployed, and we can all agree that they are probably the most serious problem. When Social Affairs

Commissioner Papandreou came to the House two or three years ago, one of the things that she said which impressed itself upon me was that, out of the then 17 million unemployed in Europe—an enormous number, which has now increased to 20 million—35 per cent. were thought never to have had a job. That is a serious social scourge that faces this country, but not this country alone.

The suggestion has not been made so far in the debate that the rising rate of unemployment in Europe is due to the recession that has affected Europe and the rest of the world. The Opposition have suggested that, in some way, the Conservative Government were uniquely responsible for the high levels of unemployment in Europe. We know that the reverse is true, and that this country is making greater headway in employment than other comparable countries. Our unemployment is now two percentage points below the average for Europe.

Anyone without a job can have greater confidence about his prospects under this Government than he could possibly have if a Labour Government were to be elected at the next general election. All of this success would be at risk following the election of a Labour Government. Progress has been made possible by our flexible labour market, which would no longer be in place if we were to opt back into the social chapter. The opt-out negotiated at Maastricht made the United Kingdom, in the words of Jacques Delors—someone whose advice the Labour party has been quick to take on previous occasions—a "paradise for inward investment". So it has proved.

During Welsh questions this afternoon, we heard a list of investments in Wales which have come about as a result of the prospects in this country. The recovery that we are making from this particular recession is an economic recovery, based not on an artificial boom in house prices but on investment and manufacturing exports. That provides a sound basis for continuing and solid prosperity.

There are now changing patterns of employment. We are able to reflect those work practices because we are not saddled with the obligations of the social chapter, which are proving to be such a burden in other countries with whom we compete for world markets. As we are not saddled with the social chapter, we can adapt our employment needs to the work available and to the markets in which we have a share.

Deregulation is one of the major themes of the Government, and easing the burdens on business is vital, but both the Labour and Liberal Democrat parties would opt back into the social chapter if they had the chance, as they both favour—with differing degrees of enthusiasm—a national minimum wage.

Before I develop the subject of the minimum wage, I shall deal with that of the long-term unemployed. Somebody in the debate should put on record those schemes that are available to them. That long list includes the training for work scheme, the jobfinders grant, the 1-2-1 scheme—which has been extended nationally from April 1995—and workwise, or worklink in Scotland, which offers 38,000 places. There is the long-established system of jobclubs and jobplan workshops, and the job interview guarantee programme, which was piloted in inner city areas, has been expanded to every area in the country.

The restart programme helps people who have been unemployed for more than two years to build motivation and self-confidence. Community action helps the longer-term unemployed—those out of work for 12 months or more—back into work through part-time work experience. The workstart pilot scheme provides subsidies to employers who recruit a person who has been unemployed for two years. Finally, employment on trial is available for people who wish to try out new lines of work. It means that a person who has been out of work for at least six months who takes a job but chooses to leave it between the first six and 12 weeks will not, when making a benefit claim, be disqualified for unemployment benefit, and will not have his income support affected.

That is a wide-ranging programme of special measures to help the long-term unemployed, and the Government should be congratulated on targeting that need and on their ability to see it through.

Mr. Ken Purchase (Wolverhampton, North-East): One listens with interest to the list that the hon. Gentleman is reading, and it is worth having it on the record. Is it not also worth having on the record the fact that in many constituencies—including my own—the ratio of jobseekers to vacancies during the period in office of this Government has been of the order of 20 or 30 to one? In my constituency, there are still 15 males wanting work for every vacancy that is available to them. Is not a precondition of those schemes that there must be a job at the end of the training period? Is it not important that such frustrations are not felt and that people do not find that, having gone through the course, there are no vacancies for them to go to?

Sir Michael Neubert: Yes, those people who had trained and qualified to take on such a job would be acutely frustrated if there were no jobs to go to. Figures show that a high percentage achieve work as a result of the schemes, which are very practical. As the Secretary of State said, we are concerned not so much with numbers as with the outcome—people gaining employment—and we must remember that employment is rising and is at a high level.

There will be some pockets of unemployment. The hon. Member for Wolverhampton, North-East (Mr. Purchase) is beginning to sound like the right hon. Member for Gorton when describing another major British city. One must examine the reason for such pockets and how they can best be helped. The Government certainly do not lack the will or the resources to deal with problems that are European in character and worldwide in origin in many cases. At the end of the 20th century, finding work for everyone who wants it is a major problem, but the hon. Gentleman could do one thing to assist the employment position in his constituency—he could abandon his party's commitment to a national minimum wage. If things are bad now, without question such a wage would make them worse.

To me, it is common sense that, if a person is to be priced into work, there will be a level at which employing them is affordable. Above that level, the employer could not afford to provide the service or make the goods to create employment for that person. The national minimum wage would, therefore, set a limit on the number of people who could be employed.

Mr. MacShane: Will the hon. Gentleman give way?

Sir Michael Neubert: I had started to mine a profitable seam, but I will give way.

Mr. MacShane: I am grateful, and perhaps I will open up a new seam for the hon. Gentleman. In that case, why

[Mr. MacShane]

does every European country that has a national minimum wage—we are not talking about the United States—show a fall in unemployment equal to, or greater than, the fall in this country?

Sir Michael Neubert: I am not sure that that is the case. My argument is based first on common sense, but I will give the House some figures that might interest the hon. Gentleman, with his European perspective.

One thing that concerns me about the national minimum wage is the effect that it would have on the young. This is not a matter of argument between the parties. It would bear disproportionately on those starting out on their working lives. At present, youth unemployment is 16.5 per cent. in the United Kingdom, but it is 23 per cent. in France and 38 per cent. in Spain, wnich both have a national minimum wage.

I am not sure whether Opposition Members are arguing against the impact of such a wage on employment. If they are, I must quote their leader, who said in *The Independent* on 27 June 1991:

"Econometric models indicate a potential jobs impact."

That is a roundabout way of saying that jobs would be lost as a result of the introduction of a national minimum wage.

Dr. John Reid (Motherwell, North): That depends on the level at which it is set.

Sir Michael Neubert: The bone of contention between the parties is that the Labour party refuses to state at what level it would be. It amazes me that Labour is so reticent on that point; it was not in its manifesto in 1992. Then, the Labour party was prepared to put a figure to the minimum wage, which was to be set at £3.40 an hour. "Opportunity Britain", which was Labour's final policy review document before the last general election, said that the wage would start at 50 per cent. of median male earnings, increasing to two thirds the median male hourly rate.

What has changed since? That was only three years ago. The Labour party lost the election and has correctly concluded that, by stating a level for the minimum wage and allowing others to calculate the job losses as a consequence, it lost the election and it will not do the same again. If Labour Members think that they will get away with going into another general election and facing the British people with an unknown quantity of job losses, they are mistaken.

Let me spell out what it would mean if we adopted the wage at the levels suggested in 1992. A minimum wage set at half median male earnings, with only a half restoration of differentials, would cost 800,000 jobs, which more than offsets the progress that we have made in reducing unemployment since 1992—the 660,000 reduction that we have achieved in that time. With full restoration of differentials, 1.6 million people would lose their jobs. Incidentally, my sources are Employment Department economists. A minimum wage set at two thirds of the median male hourly rate, with half restoration of differentials, could cost 1.3 million jobs and, with full restoration, that figure could rise to more than 2 million. Those are huge numbers. People's lives and livelihoods are in question but the Labour party refuses to come clean about the level of job losses, which is unacceptable.

In case Labour Members argue that there would not be an attempt to impose differentials, I can cite both Eric Hammond on 17 June 1991 and Bill Jordan on 10 April of that year saying that their unions would oppose any squeeze of differentials. We know that that would be the case. If hon. Members think that 1991 is too far back and that things have changed since then, one has only to refer to Denis Healey again, who made it plain that a minimum wage would become a floor on which a new tower of differentials would be built.

Labour party politicians are not prepared to say what they would like the national minimum wage to be, but others are not so reticent. We have already heard the view of the husband of the hon. Member for Peckham that it should be between £4 and £5 per hour. I believe that I am right in saying that Bill Morris of the Transport and General Workers Union today advocated that the Labour party set it at £4.15 per hour. We are told that a minimum wage set at £4 an hour—not £4.15 or up to £5 as Mr. Dromey would wish—would cost 900,000 jobs with only half restoration of differentials and 1.7 million jobs with full restoration.

Those matters are very serious, both for those in, and those out of, work. It will go against their interests if the Labour party is prepared to adopt such a policy and risk so many hundreds of thousands of people being out of work. The Opposition double the offence by not being prepared to say openly what they intend to do.

Unfortunately, a previous engagement will prevent me from being here for the summing up. I apologise in advance, but I promise that I will make that absence good by reading *Hansard* tomorrow. When I do, I hope that I come across a statement by a Labour Member of what the national minimum wage will be. Until we have that figure and know precisely the Opposition's policy, that policy will be regarded as humbug and hypocrisy, because they will be claiming to reverse the trends of recent years, yet pursuing headlong a policy that will aggravate the problem rather than improve it.

Mr. Toby Jessel (Twickenham): Will my hon. Friend have a bet with me that, when he looks at *Hansard* tomorrow, he will find that no Labour Member has given a figure? I bet that no one will do it.

Sir Michael Neubert: If my hon. Friend will forgive me, I will not engage in that gamble. Like him, I suspect that I shall be disappointed, but the British people should know what the national minimum wage would be if it were introduced by a Labour Government because British jobs will be at risk from such Labour policy.

5.48 pm

Mr. David Chidgey (Eastleigh): The heart of this debate is the need for the Government to concentrate their energy on promoting employability, trying to tackle long-term unemployment and trying to stem the tide of poverty.

The evidence of poverty in Britain is stark. We can bandy arguments about all night long if we want to, quoting one report or statistic against another, but by the most widely accepted definition of poverty—those with less than half the per capita income—the numbers who fall within the poverty threshold have almost tripled since 1979. That is a fact.

We can argue about figures that confirm or do not confirm widening social division. We can argue about whether the poorest tenth of households have suffered a 17 per cent. reduction in real disposable income, excluding housing costs, since 1979; and we can argue about whether the richest tenth's real disposable income has risen by 62 per cent.; but the real point is that a large number of families are trapped in that lowest decile, and are increasingly dependent on benefits.

Most hon. Members would agree that the overall conclusion of the Government's statistics is that the poverty gap is widening. It is important to recognise that poverty and unemployment are inextricably linked. The proportion of unemployed individuals with less than half the average income has increased in the past 16 years from about half those who are unemployed in 1979 to nearly three quarters in 1991—the latest figures that I have.

The implications—for example, the cost of family credit, which has more than doubled in the past four years from some £425 million to £1 billion—are a cause for great concern to politicians. The fact that the social security budget is now nearly £90 billion—one third of all Government expenditure—must be a cause for concern when we think about how to tackle unemployment and reduce poverty.

The Secretary of State, who is unfortunately no longer here, was right to point out recently that those who depend on benefit—some 40 per cent. of British households—do not live comfortably, courtesy of the state. Policies aimed at withdrawing entitlement without first putting in place measures that will free those who are trapped in poverty by developing skills and directing investment where it will promote employability can only deepen poverty and social divisions.

The Secretary of State was right to be concerned about the spiralling cost of benefits. Increasing benefits alone cannot reduce poverty, but will increase benefit dependency, a scourge in our society, where people now find that living on benefit is an easier way to make their lives work than getting into employment and earning a wage on which they can live. Furthermore, for those on poverty wages, increasing benefits offers unscrupulous employers an opportunity to drive wages down even further.

I think that I am right to say that the Government recently claimed that the abolition of wages councils led to pay increases. I challenge that claim, because the Government's evidence was based on a small and selective sample.

A more detailed analysis shows that the wage rises that the Government quoted relate to the retail sector only, and that in the year following abolition, pay rates fell in real terms by over 7 per cent. in the clothing manufacturing industry, nearly 6 per cent. in restaurants, and over 5 per cent. in hotels. We should look more deeply into the matter. Evidence in the new earnings survey, which is based on a far larger sample, shows that wages fell in nearly all ex-wages council sectors.

There is clear evidence from advertisements in jobcentres that the abolition of the wages councils has caused a downward pressure on pay rates. A third of all vacancies in wages council sectors not covered in the surveys quoted in the statistics were on offer at rates below the previous relevant wages council rates. We must challenge the concept that abolishing the wages councils has led to a growth in jobs. Lower wages have not translated into a growth in jobs. The yearly net increase in full-time equivalent jobs has fallen from some 18,000 in the year before the abolition of the wages councils to only 8,000 in the following year.

The Government have ignored the warnings given at the time by both workers and employers' representatives alike that the abolition of wages councils would lead to instability in the labour market. There is clear evidence that the result has been to force down already low wages, driving more people into the poverty trap and allowing unscrupulous employers to gain advantage over employers who treat their workers reasonably.

We seem to be having an on-going national debate, both within and outside the House, on the benefits or otherwise of a statutory minimum wage. This is a good opportunity to try to clarify policy objectives and see how one can rein in the worst excesses of the labour market.

I hope that both sides of the House will enter into the spirit of a debate that attempts to find some truth rather than merely trot out dogma. There are as many expert opinions as studies on the benefits or otherwise of legislating for a floor under low wages. Ministers will be familiar with every dotted "i" and crossed "t" of at least 26 studies undertaken since 1981, which provide politicians with every opportunity to cherry-pick the conclusions that happen to suit their particular dogma.

A good example was the Treasury economic models, which were commissioned by the Government and which led them to claim that a national minimum wage would cause job losses of 2 million—provided that the national minimum wage chosen was two thirds of the median wage. As was said earlier in this debate, one can choose a national minimum wage rate and measure the amount of unemployment that it would cause. It is a question of how it is treated and of treating it sensibly.

Mr. Peter Ainsworth (Surrey, East): The hon. Gentleman appears to be in danger of falling into the old Liberal trap of straddling the fence. Why can he not give unequivocal support to the words of the leader of his party, who, in a speech last July, said:

"A national minimum wage would increase rigidities in an economy that we should be making more flexible; generate wage-push inflation; and force many onto the dole"?

Mr. Chidgey: I thank the hon. Gentleman for that intervention. I trust that he does not see me as an old Liberal, although I may be a little more middle-aged than some of my colleagues. I shall deal with his point a little later in my speech. I expected it to be asked, and I look forward to giving him an answer that will, I hope, satisfy him.

Mrs. Ann Clwyd (Cynon Valley): On a point of order, Mr. Deputy Speaker. I apologise to the hon. Member for Eastleigh (Mr. Chidgey) for interrupting his speech, but it has just come to my attention that, during Welsh questions this afternoon, the Secretary of State for Wales, referring to me when I was not present in the Chamber, made a remark that is completely untrue. I have checked it with *Hansard*, and he said:

"She contacted my office this morning to say which question she wanted to ask before she was ordered to withdraw it."

What protection does an hon. Member have against such a false statement? This matter will concern my constituents and my Welsh colleagues who were

[Mrs. Ann Clwyd]

boycotting Welsh questions this afternoon. I think that the Secretary of State should come to the Chamber and retract that misleading and untrue statement.

Mr. Deputy Speaker (Sir Geoffrey Lofthouse): That is not really a point of order for the Chair. The hon. Lady will be aware that Ministers and hon. Members are responsible for their own speeches and remarks. Had the Secretary of State been informed of the point of order that the hon. Lady intended to raise, he would probably have been in a position to confirm, deny or withdraw his remarks. It is a matter for him to decide.

Mr. Chidgey: May I gather my thoughts after that point of order, and return to the issue of a national minimum wage?

I seem to recall that, in rejecting a call for a national minimum wage, the last—or should I say late?—Employment Secretary recently called for Britain to

"enhance its competitive edge by creating products which owe more to human knowledge than to human muscle, as the basis of our prosperity in an increasingly competitive world."

I could not agree more, but, at the lower end of the scale, how are we to explain to junior hairdressers, assistant hospital porters, waitresses and all those on poverty wages how they can bring added value to their tasks as part of the export drive? In the interests of social justice, it is time for a pragmatic approach that targets those on poverty wages, who are supported, all too often, by state benefits.

We need a policy of flexible minimum hourly rates which will lift the poorest out of poverty without causing inflation and unemployment. However, we also need to recognise the wider issue of improving, or at least maintaining, living standards, which depends primarily on increasing the skill levels of the work force and providing the added value vital to improve our competitiveness.

A low pay commission such as the Liberal Democrats have proposed could be created to recommend a regionally varied minimum hourly rate across the whole economy, in consultation with representatives of employers, employees and the local authorities. The level of a minimum hourly rate is, of course, the key factor, and one that has, as we have seen, left Labour purists floundering. Our low pay commission would use as a yardstick the average level of the former wages council rates, uprated as appropriate. That should be the starting point from which, we know from experience, the pressure on employment and inflation can be suppressed.

I shall deal with the events of the past week or so at the Department of Employment. The Opposition are greatly concerned that the decision to scrap the Department provides little or no comfort to the unemployed, especially the long-term unemployed. At the current rate of decline, the number of long-term unemployed will, sadly, still not have fallen below a million by the year 2000. Rather than dealing with those failures of policies that are supposed to tackle long-term unemployment, the Department of Employment has been subsumed in a variety of other Departments. It is a cause for concern to hon. Members as well as to those who are suffering from long-term unemployment.

Nearly half the long-term unemployed on the training for work scheme remain unemployed some six months after leaving it. Nearly 60 per cent. of all adults leave with no qualification, and two thirds leave with no job. That is a measure of the problem. I know that Ministers have discussed the matter with me across the Floor before.

The Government have set a target of reducing that figure of two thirds to 50 per cent. by 1998. That compounds the failure to invest in high-quality training, to address under-skilling in industry, and, most importantly, to improve the employability of the unemployed.

I am afraid that the Government are setting meagre targets for getting the low-skilled unemployed back into work. They seem to be more interested in short-term cost-cutting than reducing long-term unemployment. While they plan to cut the training budget by some £280 million over the next three years, and slash training for workplaces by 55,000—some 20 per cent. of all places—unemployment among the unqualified shows no signs of falling.

While the Government plan to cut the training budget by £280 million, unemployment costs more than £20 billion a year. It is not surprising that, in the midst of all that, our training and enterprise councils are becoming increasingly hamstrung in their efforts to achieve their objectives. Let me remind the House what those objectives are.

The central mission of the TECs is to act as employer-led bodies for economic regeneration, and that cannot be fulfilled without adequate funding to support local initiatives. To demand that TECs fund initiatives by making surpluses from the training for work programmes is fundamentally flawed. It forces down already inadequate and poor-quality training, and is forcing out business representatives, who are becoming increasingly disillusioned by stagnant policies that stifle their imagination. Instead of slashing training budgets, the moneys should be redirected into improving training quality and targeting long-term unemployment.

I have said before that the workstart pilots promoted and introduced by the Government have shown potential for providing employers with incentives to take on the long-term unemployed. Instead of linking the schemes to investment and training to provide skills for the unqualified, we have another round of pilot schemes, with the main aim, it would appear, of seeing how much the subsidy for those schemes can be reduced.

There is clear evidence that a benefit transfer scheme that provides both employers and the long-term unemployed with the incentive to invest in skills training would have a major impact on the long-term unemployed. We have long argued the case for benefit transfer schemes to transfer the benefits of the unemployed to employers on a sliding scale for a prescribed period while they are trained to be full-time productive employees who fully justify their wages.

The workstart pilots have underlined the potential for success for a national benefit transfer programme. Sadly, we have been offered only yet another round of pilots, providing some 6,000 places. All the while, unemployment costs the country more than £20 billion a year.

There is an overwhelming case for social justice, which can be achieved by putting a floor under those on poverty wages. We must improve the quality of training if we are going to increase employability, especially for the long-term unemployed. We must start to reduce the skills

gap between the United Kingdom and our counterparts. We must be prepared to invest in initiatives to create economic regeneration by investing in our public infrastructure, our schools, our hospitals and our public transport systems.

We will support the motion tonight, not because we endorse or share Labour's ideological basis for a minimum wage, which seems to be the redistribution of income, but because we condemn the Government's complete lack of concern about unemployment.

6.7 pm

Mr. Alan Howarth (Stratford-on-Avon): I was glad to listen to that thoughtful speech by the hon. Member for Eastleigh (Mr. Chidgey). It is a pleasure to follow him.

It poses no difficulty for me to agree to the proposition that social division leads to economic underperformance. One has only to recall the last winter of the last Labour Government in 1978-79, which is known in the folklore—and always will be—as the winter of discontent. It saw the final flowering of the policies of the now Lord Healey as Chancellor of the Exchequer—economic policies that were avowedly pursued in a class interest. As he mounted his assault on success, he even brought taxes on savings to a top rate of 93 per cent. Those efforts to govern in a class interest were hardly welcomed by the trade unions at the time. They were at war with the Government and with each other. Our society was in a war of all against all.

Life is very different and very much better in Britain in 1995. Not that we are without our social divisions—I shall come to those—but the divisions in our society are no longer remotely like they once were. There were divisions between the trade unions and the rest. The hierarchs of the CBI and TUC, to coin a phrase, are now at ease with each other and Conservative Members are looking forward to attending the TUC summer party tomorrow evening. It is a happier atmosphere.

The private and public sectors are not divided in the same way. Many public services are now delivered by privatised utilities, by work forces that may be directly employed in the public sector, by private enterprise firms or by people working in the voluntary sector under contract. We have seen a blurring of the old divisions.

However, perhaps the most conspicuous difference is that inflation is now under 3 per cent. and has been for the past 20 months—the best inflation performance for 30 years. It is in great contrast, if I remember correctly, with the average rate of inflation of 15 per cent. under the previous Labour Government. Inflation is the most deeply divisive economic phenomenon.

Mr. MacShane: Will the hon. Gentleman remind us what level the inflation rate reached under Mrs. Thatcher?

Mr. Howarth: We saw inflation rise again. The hon. Gentleman is quite right if the implication of his intervention is that it is at all times necessary for the Government to work to keep inflation low because inflation is such a divisive force. The inflation that we experienced in the 1970s set labour against capital, worker against worker, saver against earner and young against old. It was divisive and deeply damaging economically.

Sir Michael Neubert: This talk of years gone by brings back a memory. Although inflation went up under a Conservative Government, it at no time went above the average in the Labour years, when, if I remember rightly, it rose to 26.9 per cent. at its worst.

Mr. Howarth: My hon. Friend is absolutely right.

My right hon. Friend the Prime Minister has held out a vision to the country of a classless society and a politics of tolerance. We may not yet have entered that promised land but I believe that we have moved a long way. Our society is far less hierarchical and we suffer far less from intolerance and cruel taboos. So long as my party wishes to continue to pursue that destination, I shall travel happily with it.

The Labour party, far from wishing to squeeze the rich until the pips squeak, is apparently concerned to stroke those who are contented so that the pips positively squeak with pleasure. What it has to say to those who are less contented is less clear. That is an important point because there are many who, for good reasons, are less contented.

My right hon. Friend the Secretary of State for Social Security has spoken thoughtfully about the dispersion of earnings, and Mr. Will Hutton recently provided a broad description of our society as a 30:30:40 society.

The bottom 30 per cent. of people are marginalised, limping along in and out of work and heavily dependent on benefits. Among them are far too heavily concentrated members of the ethnic minorities, women—especially single mothers—and disabled people who still suffer excessively from discrimination. I welcome my right hon. Friends' introducing legislation in an attempt to reduce that utterly unjustified discrimination.

Another 30 per cent. of people are the insecure. They may be affluent but they are at the same time apprehensive about their future. The other 40 per cent.—the upper reaches—are secure and confident operators in what is increasingly a global labour market. It is they who inherit the earth. Incidentally, I am not entirely sure that it would be appropriate for them to do so without paying some inheritance tax, but that is perhaps a debate for another occasion.

Too many of our fellow citizens live on estates that are effectively ghettos. The right hon. Member for Manchester, Gorton (Mr. Kaufman) spoke about the experience of some of his constituents, and all of us take very seriously what he had to say about the people who are trapped in joblessness and the housing benefit poverty trap, people who are living in ugly surroundings without amenities and people who are living a life of hopelessness, as the right hon. Gentleman described them.

Seventy-five per cent. of people in local authority or housing association accommodation are among the poorest 20 per cent. of our society. We have had planning policies whereby we have designed and built estates instead of distributing the less advantaged, the less confident and the less capable more extensively. We thus have offensive juxtapositions of wealth and poverty, which may have something to do with the events on the Marsh Farm estate in Luton last week. Certainly there is a brittleness and volatility on those estates, and it behoves us to think carefully to find effective practical policies to improve conditions there.

People living in poverty on such estates experience a far higher incidence of crime, including mugging. Let us be very clear that mugging is a phenomenon associated with poverty and joblessness. If it has also to do with race it is because far too high a proportion of members of our

[Mr. Howarth]

ethnic minorities are poor and without work. I am sure that the Commissioner of Police of the Metropolis is well aware of that.

Such estates are especially prone to difficulties with drugs. We need at some point, and perhaps before long, to nerve ourselves to think seriously and constructively about whether it is right to criminalise the use of certain drugs at least and thereby institutionalise alienation from the mainstream of our society.

Too many of our young people are not only without jobs but are disaffected from the political process altogether. One of the most alarming statistics from the most recent general election—it is not a proven statistic but is suggested on a reasonable authority—was that only some 40 per cent. of 18 to 24-year-olds voted. If that was so, it expressed a disaffection from the mainstream of our national life which bodes ill for us in many respects, not least in terms of our parliamentary democracy.

The family is fractured and, while family patterns have changed throughout our social history, we should be especially concerned about the number of children living in poverty and the increasing numbers of children taken into care and excluded from school.

We are not as yet one nation. Whether hon. Members are one nation Conservatives or one nation socialists—we need not detain ourselves too long today with the definition of those respective political species, or whatever may be the distinction between them—as we observe the social pathology that I have sketched, we can all agree that what is needed is a politics of healing; a politics to allay the insecurities and aggression in our society; a politics to reduce and bring to an end social exclusion; and a politics that gives priority to those who are least fortunate, the chronically unemployed, the homeless and the beggars on our streets who are a shame and a reproach to us.

Mr. David Nicholson: Does my hon. Friend agree that the way in which most of the national press treated the political issues raised by the recent leadership contest in the Conservative party shows how distant most of the scribblers are from the concerns that he is raising? Is not that a problem in itself?

Mr. Howarth: I agree. The debate was trivialised, and it is regrettable that it should have been so.

The British public are not out and out egalitarians but they have a strongly felt sense of fairness. They believe that it is the task of Government to hold our society together. They reject the politics of class conflict and the politics of casualisation. I believe that they are deeply uneasy about poverty. Average incomes have indeed risen substantially, and that is a great credit to my right hon. Friends during our long period in Government, but the people at the lower end of the income scale—we can argue whether the figure is 10 per cent. 20 per cent or even 30 per cent.—have not shared in the overall increase in prosperity.

We should consider carefully the condition of 16 and 17-year-olds not eligible for benefit and think carefully about whether it is right to pay a lower rate of income support and jobseeker's allowance to people under 25. I do not believe that my right hon. Friends have been justified in reducing benefit in the transition from invalidity benefit to incapacity benefit, and I am concerned about the reductions in benefit for the unemployed which will be introduced with the jobseeker's allowance.

We also need to consider carefully the condition of people aged over 55. There appears to be a watershed at that age. Beyond the age of 55, all too many of our fellow countrymen find themselves excluded, without opportunities in a range of fields.

My right hon. Friends should take very seriously the outrage that is felt at the avaricious insensitivity of company directors who enjoy the benefit of share options, whose remuneration committees award one another immense pay increases, even as large numbers of their staff are being sacked or placed on zero-hours contracts. The great majority of our fellow countrymen find that deeply offensive.

My right hon. Friend the Prime Minister has indeed condemned it, but I hope that all my right hon. Friends will condemn that style of management and that management ethic. I strongly hope that the Greenbury committee will produce a tough report on all of that, because it should realise that the reputation of private enterprise is at stake.

The British people may grumble about their council tax, but they raise a quiet cheer for the North Yorkshire dinner ladies.

My hon. Friend the Member for Rutland and Melton (Mr. Duncan) suggested, perhaps in a sedentary intervention earlier, that widening inequality did not matter. With great respect to him—I hope that he has an opportunity to contribute to the debate later, when he will no doubt make his case—I believe that it does matter.

Excessive inequality affronts everyone's sense of justice, and it is damaging precisely because it does demoralise. People who feel themselves to be the victims of unfairness are less willing, and feel less able, to make their contribution to society. The evil of that is that it transmits itself from generation to generation. It directly affects our economic efficiency and performance.

Mr. Duncan: Will my hon. Friend be any less able and any less willing to serve as a Member of Parliament because the First Secretary of State is so wealthy?

Mr. Howarth: As a Member of Parliament, I am paid £33,000 a year. I am an extremely fortunate person and a very well remunerated member of our society. There is no comparison between my position and the position of those who live in poverty, and we should worry about that.

My hon. Friend is under an illusion if he supposes that widening economic inequality is a price that must be paid for economic progress. We can find plenty of academic evidence that will support me in what I have said. If one considers the performance of the eight south-east Asian economies that grew most rapidly from the 1960s, one finds that rapid growth was accompanied by a narrowing of income differentials.

During the summer, my right hon. and hon. Friends will give much thought to the question whether there should be tax cuts this autumn. If the thought is—I believe that it is only part of what may be in their minds—that cutting taxes, whether on income or capital, would improve incentives, we would deceive ourselves.

It would not be rational, would it, for people to work harder because they found that they were able to take home more income for the same amount of work? I suspect that, where incentives are concerned, the reverse applies—that modest tax increases may provide an incentive, as people would work a little harder and a little longer to make up the shortfall in their income. At all events, I do not believe that we can associate tax cuts with improved economic performance, or that there would be any objective case in terms of the condition of the economy more generally.

Mr. Charles Hendry (High Peak): Can my hon. Friend find a single example—anywhere, ever—of people working harder as a result of an increase in tax rates?

Mr. Howarth: If one tries to assess the way in which people might respond rationally, they are at least as likely to work harder to make up their income if they experience a small tax increase as they are if they experience a modest tax reduction. I would stick to that contention, but I will say—and I do not think that my hon. Friend would reasonably disagree with this at least—that, if we reduce our tax revenues, we shall thereby have less resources available to act to ease the poverty trap and so enable more of our people to do what they wish to do, which is to lift themselves out of poverty, become less dependent on benefits and contribute more to the economy. We shall have less resources for education and we shall have less resources for the health of the nation. All of those are necessary investments in the interests of improving our economic efficiency.

Mr. Nirj Joseph Deva (Brentford and Isleworth): Is my hon. Friend aware of something called the Laffer curve—the S curve—whereby it has been demonstrated repeatedly that, by cutting taxes, the total tax revenue collected by the state Government or national Government has increased, thereby making available more resources for those people who are in need?

Mr. Howarth: I do not know how closely my hon. Friend has studied the history of the Reagan Administration, but he may find that that turned out to be a cruel disappointment. The Laffer curve did not quite curve in the direction that the Administration believed that it would.

Relative poverty has absolute effects. Our task is at least to check the movement towards widening inequality, and preferably to reverse it. We need to underpin incomes. Above all, we need policies—macro-economic as well as micro-economic policies—that are well designed to generate jobs because, if there is a way to solve the crisis of the welfare state, it is above all to get more people into properly paid, sustainable work. I do not underestimate the difficulty of achieving that, but that must be our cardinal object, and it is very much the strategy that my right hon. Friends seek to implement.

My right hon. Friends pin a good deal of faith on in-work benefits. Family credit is now being paid to about 600,000 low-paid workers. My right hon. Friend the Secretary of State has just announced that he is introducing an earnings top-up benefit. He is wise to begin by introducing that on a pilot basis. If he proves to be right that that new in-work benefit for people without children will enable them to, as he puts it, climb the first rungs of the ladder of employment, we shall all be delighted. I appreciate the arguments for what he sets out to do in terms of flexibility and responsiveness of the labour market and in terms of containing the growth of social security expenditure.

However, if we are to have regionally differentiated benefit—the Secretary of State suggested that in his pilot scheme there should be experiments with that—we must consider what the effects may be on the cohesion of our society. It may be that, especially if such benefits were to be administered by local authorities, it would be a means by which we would enable local communities to feel more responsible for their own members, and we could thereby enhance local cohesion. Whether regionally differentiated benefits would enhance the cohesion of our society as a whole is a different question. We must also consider whether unequal benefits are compatible with equal citizenship.

My broader anxieties about in-work benefits are that they tend to operate as a subsidy to bad employers to cut wages and that, if they encourage low pay, they tend to degrade, not only the lives of those who are low-paid, but their skills, such that our economic performance deteriorates compared with what it might be.

I am agnostic about in-work benefits. It is sensible to have a pilot scheme for a new benefit. We should review all the evidence as we accumulate it, not only for the new top-up earnings benefit but for family credit. However, when we review that, I hope that my right hon. and hon. Friends will be willing also to review such evidence as may be available on the operation of a minimum wage.

Although hon. Members on both sides of the House have spoken about a minimum wage with strong feelings and honest conviction, there is a shortage of evidence. It is far too important an issue to be appropriate for sloganising, and I hope that, in the forthcoming months and years, we shall be willing to consider carefully both in-work benefits and a minimum wage. I sometimes tease my right hon. Friends by suggesting that the minimum wage is, in a sense, a privatisation of welfare, so they ought not absolutely to set their face against it.

I suspect that in time we will find ourselves with a system of in-work benefits capped by the Treasury, because it will not tolerate the enormous growth in spending on such benefits that will otherwise occur, but complemented by a minimum wage negotiated differentially, region by region and sector by sector. If that has overtones of the 1970s, if it sounds remarkably similar to the corporate state and incomes policy, it may be that originality in policy-making is rarer than modernisers in the Labour party or radicals in the Conservative party may suppose.

I commend the range of initiatives that my right hon. Friends in the Government have developed, including the national insurance holiday for employers who take on long-term unemployed people, the extension of housing benefit, the faster processing of family credit and the back-to-work bonus. Those are all commendable initiatives which I believe will carry advantage with them. Against that background, I remain puzzled and deeply worried about the decision that the Government have taken to reduce the period of eligibility for contributory benefit of unemployed people from 12 months to six. Not only the impoverishing consequences but the disincentive effects of that are plain to see. I find that a strangely perverse policy. However, we have had those debates and the Jobseekers Bill has completed its parliamentary passage.

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The passage of the Disability Discrimination Bill remains to be completed so let me enter another plea to my right hon. Friends to accept after all that there should be a national disability council with real powers to provide advice right across the country and powers, on those rare occasions when it may be necessary to use them, to enforce the rights of disabled people under the legislation. That would be an extremely worthwhile way, not only to mitigate the social division caused by discrimination, but to improve economic efficiency. We want disabled people to make the fullest contribution that they can to our economy.

I should like to conclude by saying a word or two about education because it is so fundamental to personal opportunity, to the upgrading of our economic competitiveness, to the improvement of the civility of our society and to enabling us to break free of the costs of social failure. My right hon. Friend the Secretary of State for Education and Employment has just introduced an initiative in education for under-fives. She is right to give priority to early learning and to welcome the prospect of innovative public-private partnerships.

We have a choice in the provision of public services and social goods. We can either insist on present patterns of funding, in which case it is inevitable that services will continue to be underfunded, or we can seek to enlist new resources of private finance. We have gone a long way towards doing that in higher education and it is time that we overcame the taboo surrounding the admission of private finance much more extensively into our education system. So I welcome my right hon. Friend's initiative. I have my anxieties about her choice of vouchers as the means to implement the policy. I hope that she will be able to explain in due course how vouchers will not prove an unnecessarily expensive and regressive means of acting on the matter. I hope that she will not close her mind on the possibility of means-testing the voucher or taxing its value in an attempt to offset those effects.

If we are to enlist more private finance within our education system, we must equally move towards restoring the concept of an overarching education service. It is regrettable that the term "opting out" ever became current in our education parlance. The last thing that we needed was to dig new chasms between different parts of our education system. We need bridges and integration. If I was able to do one useful thing when I had the privilege to be an education Minister, it was that I not only continued the expansion of student numbers in higher education but made it possible for the polytechnics to have university status. We need to find better ways to integrate and make more cohesive our education system.

So if, in developing a policy for grant-maintained schools, the hon. Member for Sheffield, Brightside (Mr. Blunkett) seeks to ensure that grant-maintained schools are within the fold of the overall education service, that they keep their independence within a publicly-funded education system, that they retain the right to decide for themselves how best to use their funds—a fair share of overall funds—and that nothing is done to deprive them of the vitality that comes from that extra degree of self-government, I wish him well.

It would be extremely interesting to know what the Labour party proposes to do about private schools—what are known most inappropriately as the public schools. It is a great historical misfortune that in the first half of the last century the state failed to provide a public education system. In consequence of that, the newly prosperous middle classes organised themselves. They opted out of whatever the state system might have been. That has been a traumatically divisive experience for us. It continues to undermine the quality of educational experience for 93 per cent. of our nation's children.

In the 1960s, the Labour Government led by Mr. Wilson took a look at the matter. They set up a commission on public schools, but they then shied away from any action. I wonder whether, where Harold Wilson decided not to act, the right hon. Member for Sedgefield (Mr. Blair) will have the nerve to do anything.

Mr. Peter Ainsworth: Does my hon. Friend understand that what he has just said about the quality of education in the state sector is a profound insult to the many thousands of teachers who work in that sector and to the many thousands of people who have been through that sector and succeeded in their lives very well?

Mr. Howarth: I do not agree with my hon. Friend on that. I am the last person who would wish to insult teachers in the state sector. I said that the existence of the independent sector tended to undermine the quality of the education in the maintained sector. I believe that it does so because it effectively means that the parents of 7 per cent. of our children—parents who are particularly successful themselves and ambitious for their children—do not press for higher standards within that system. I willingly pay tribute to the remarkable quality of the work done by the overwhelming majority of teachers, but their task is harder than it would otherwise have been. Of course, if the Labour party were to act on the issue, it would be imperative that it should do nothing to undermine the excellence of the schools in the independent sector. The point is to try to make the public schools genuine public assets.

So I believe that our schools should as far as possible be part of a common system. That is important in the politics of healing to which I referred. It would help us to improve our economy. It would help us to improve the quality of our lives.

6.37 pm

Mr. Greville Janner (Leicester, West): I hope that it will not ruin the future of the hon. Member for Stratford-on-Avon (Mr. Howarth) if I say what an excellent, important and interesting speech he made and that I agreed with the vast majority of it. The last time I said that of a Conservative Member's speech he was making his maiden speech. By tradition, one congratulates a person who makes a maiden speech. It is not a tradition, as the House may know, to congratulate hon. Members on the other side of the House on their speeches.

Because he stationed himself so well for television on the back row where the absence of a doughnut would not be visible, the hon. Gentleman missed seeing the faces of his colleagues while he was speaking. Ministers screwed up their faces in disgust.

Mrs. Teresa Gorman (Billericay): I should think so.

Mr. Janner: The hon. Member for Billericay (Mrs. Gorman) concurs. The hon. Member for Rutland and Melton (Mr. Duncan), who departed when he knew that

I was getting to my feet, and the whole array of Tory backwoodsmen scrunched up their faces and said, "How can this renegade possibly be sitting on our side of the House?" I, for one, will welcome the hon. Gentleman when he crosses the Floor of the House: the sooner he does so the better.

The hon. Gentleman also put an end to a series of Conservative speeches that reminded me of what the late Ernest Bevin said when I asked him what he thought of a debate that he had just heard. He said, "It was awful: clitch after clitch after clitch." I have never heard such a series of "clitches" as we endured earlier from other Conservative Members. When the hon. Member for Stratford-on-Avon began to speak, however, the House suddenly woke up. Here was a man who talked of outrage at executive pay, especially in industries and jobs where others were paid less and where services were declining. That is just what the Select Committee on Employment has said.

At this point, let me pay tribute to a Conservative Member whom I call my hon. Friend, because that is what he is, the hon. Member for Norfolk, North (Sir R. Howell), whose concern about unemployment—expressed from the right of his party—equals that expressed from the left by the hon. Member for Stratford-on-Avon. If the two of them were running the Conservative party, it might conceivably have a chance of winning the next general election, but they are both members of desperate minorities.

The hon. Member for Stratford-on-Avon talked of the problem of young people without jobs, alienated from the political process. He is entirely right. If he visited any of our constituencies and mixed with young people, that is exactly what he would find: people who have given up.

May I have the attention of the hon. Member for Stratford-on-Avon for a moment? He is not hearing the praise that I am lavishing on him, and I want him to hear it, because I suspect that it will be rare in his political life—certainly in his current seat. He is also right about people opting out of the political process and not voting.

My area contains what we call "blue belts"—areas containing nice housing, where people used to vote Tory but do not any longer, often because of the negative equity on their homes. In those areas there will be a general election turnout of between 75 per cent. and 80 per cent. In areas where people are really in trouble—the great estates in my constituency to which the hon. Gentleman referred, where unemployment is running at over 40 per cent.—if the turnout in a general election is between 50 per cent. and 55 per cent. we are doing well. That part of society is alienated.

The hon. Gentleman spoke of young people, and of people over 55. Tomorrow is my 67th birthday: that is 12 years above the limit set by the hon. Gentleman. Under the present Government, anyone of that age is written off. No one over 50 can get a job. Incidentally, I am losing my job; that is why the Government are getting rid of the Department of Employment. I have heard of using a sledgehammer to crack a nut, but it is unusual to use a nut to crack a sledgehammer. We can joke about what we do, but for ordinary people—young or old—there are no jobs.

The hon. Member for Stratford-on-Avon spoke of the minimum wage. Yes, there are problems connected with it, but it is essentially right. It must be examined carefully. The current problem afflicts not only the less well-off or bad employers: good employers are being undercut by cowboys and those who operate slave labour.

The hon. Gentleman also spoke of those who do not share in the country's prosperity. Again, he is right, but he did not mention the aged and the ill. For those who are both aged and ill, and who have no money, life is very bad. Those of us who look after our constituents know how awful it is.

The hon. Gentleman mentioned the offensive juxtaposition of poverty and wealth. Yet again he is right, but again Conservative Members scrunched up their faces, and the lady in orange—the hon. Member for Billericay—pushed up her spectacles in dismay at such an awful suggestion.

My right hon. Friend the Member for Manchester, Gorton (Mr. Kaufman) talked of hardship and homelessness—and his views were echoed by the hon. Member for Stratford-on-Avon. The hon. Gentleman was right. What is the biggest category of complaint that hon. Members on both sides of the House hear in their surgeries? [HON. MEMBERS: "Too long speeches."] Complaints about long speeches come only from Opposition Members, who had to endure the sort of speeches that Conservative Members make until we heard from the hon. Member for Stratford-on-Avon. No, most complaints are made about homes.

The gap is very great and, as the hon. Gentleman said earlier—we have been wallowing in history today—it used to be greater. Earlier today, I had the pleasure of welcoming to the House a man called Alan Hull. It will shock the tabloids to know that I spent a year living with a warder from Broadmoor. That may explain to a great extent why I am prepared to do what I am doing. We were evacuated to the country; there was an outside loo—no inside sanitation and no electricity. We carried the accumulator along to the hardware shop to get the radio to work. Things are better for most people today, but the gap is still very great.

Suddenly, as part of the great change of vision, the new Prime Minister—who just happens to be the old Prime Minister—tries to introduce a new look. In that process, the Government have abolished the Department of Employment. I remember Lord Denning saying, "We judges always ask ourselves questions, because it is the only way in which we can obtain intelligent answers." So I asked myself the question: why have the Government done that?

I told myself, "Well, it gives power to the Education Secretary." I understand that: she is extremely charming, and needed new power. She did not stand for anything, and she will now take over a good deal of work from the Department of Employment, but I do not suppose that that is why the Government acted as they did. They certainly did not act to please the Department of Trade and Industry: the gentleman who headed that has now moved to a new field, with no Question Time and no Select Committee of his own, although he is to be called deputy Prime Minister. Presumably he has got what he wanted.

Nor did the Government take such action so that the Secretary of State for Social Security could be saved from further appearances before the Select Committee on Employment—although, no doubt, that was a side benefit—or so that the Secretary of State for the Environment could increase his popularity, which is well known in the country, by a acquiring the Health and Safety Executive.

Why, then, did the Government act as they did? If the House and the nation do not know the answer, I shall tell them. It was because the Department of Employment—

[Mr. Janner]

sometimes called the department of unemployment—was the only Government Department whose sole job was to look after people at work and people without work; the sole Department of State whose only job was to deal with employment. The Department had its own Employment questions and its own Employment Secretary, and—yes—its own Employment Select Committee.

Removing the Department of Employment means that Ministers go. The Secretary of State for Employment went off to the Ministry of Defence, which was a good place for him to go; but he was not replaced. It also means losing Employment questions, and the accompanying focus on employment. It means losing the Select Committee on Employment—and oh, yes, the Government wanted to get rid of that. It means losing the focus on employment at a time when unemployment is still—even by the Government's own figures—almost 2.5 million. Nearly 2.5 million people are on the unemployment register because they qualify for unemployment benefit.

But that is not the number of people who want jobs and cannot get them. We know from our constituencies how many people are desperate for work and are not on unemployment benefit, but they are not included in the figures. We know that the Government have moved no fewer than nine categories from the employment figures. People receiving sickness or invalidity benefit are out; so are students in full-time education, partners of those registered unemployed, single parents and those disqualified from benefit on grounds of unavailability or the fact that they are not actively seeking work.

Mr. Alan Howarth: Does the hon. and learned Gentleman agree that one of the possible advantages of bringing together the Department of Employment and the Department for Education, which I applaud, is that we can now reverse the policies that we have had to put up with, whereby unemployed people who sought to improve their skills through study were liable to be disqualified from benefit? That was surely a perverse incentive.

Mr. Janner: Perversity sometimes produces some good and if the bringing together of those two Departments produces that result, at least one benefit will have arisen out of what is otherwise a disgraceful change. I hope that the hon. Gentleman is right.

Expenditure on training has gone down. When we ask why, the Government say, "The number of unemployed has gone down, so of course we have lowered the budget." The reality, however, is that we have the worst trained work force in Europe.

People seeking part-time work no longer appear on the register and people who are in part-time work, even for an hour a week, are not registered as unemployed. Those aged 16 and 17 are off the register. Those aged over 55 who receive an occupational pension and ex-miners retiring under the redundant mineworkers pensions scheme are not on the register, so it is obvious why the numbers have declined.

Let me give the House one interesting example. In 1979, when the Government took office, 1.33 million people were on the unemployment register. That is still almost half the current figure, but that figure was worked out under the system that applied then.

Mr. Purchase: Fiddled is the word that my hon. and learned Friend is looking for.

Mr. Janner: The figures were worked out much more correctly than they are now because they did not have all the exclusions that we have now. If we apply all the exclusions and compare like with like, we find that the figure for 1979 would have been 1.07 million. That is not good. It still represents unemployment of 4 per cent., which is too high, but the correct comparison is that 1.07 million were on the unemployment register when this Government took office and that nearly 2.5 million are on it now, about which they boast, shake their heads from side to side, smile and are proud.

As the hon. Member for Norfolk, North knows, unemployment is an absolutely wicked waste of humanity, and of people's power and ability to serve. It is also a great waste of public money. It is awful having to pay people to be unemployed when one would be better off paying them to be employed and they would be much happier.

So we have an illusion. The Government have created an illusion that, with the Department of Employment gone, unemployment has also vanished and diminished.

I am looking forward to life one day as a professional conjuror, because magic is an art that I love deeply, recognise and respect. I do not, however, much like it in politics.

The art of misdirection means, Mr. Deputy Speaker, that you ask people to look in one direction and then do something in the other—you make things "disappear". As my grandchildren will show you, Mr. Deputy Speaker, you take an ordinary ball and vanish it. It is gone, but of course it is always there. You can make unemployment vanish by removing the Department of Employment, the Select Committee on Employment and Employment questions, but unemployment is still there, just as the ball is still there.

The Government cannot make unemployment vanish by removing the Department of Employment, by removing the Select Committee on Employment and its chairman and by making us all unemployed, while, at the same time, making many people unemployed in the Department of Employment, whom they sacked without warning, without care and without interest to what would happen to them. They just simply told them, "You are out" and that is what happened.

So the whole system is an illusion. It is the same illusion that I started with: the illusion of getting a new Government with the same Prime Minister. Any magician would be proud of that, but we know what has happened.

I have a friend called Paul Daniels, who is wonderful. I remember watching him a little while ago vanishing a huge motor cycle on stage: it was gone—brilliant!—but it was there. Everyone knew that the same motor cycle was there and that, in the next show, it would be on stage again.

That is what this lot are doing. They are a bunch of political conjurors. They are trying to create illusions. They may convince themselves, but the public will recognise them for what they are. The illusion is that, by destroying the Department of unemployment, they will remove people's concern about the number of people who are unemployed, and that by fiddling the unemployment figures not many people will be unemployed, when everyone in my constituency who happens to be lucky

enough to be employed either has unemployed people in his or her family or knows people who are unemployed. The illusion is that, by removing the Select Committee on Employment and its direct questioning of the Government, people will forget about the issues that it has considered over so many years.

I pay tribute to the way in which all my colleagues on the Committee, of both parties, have worked together. We could not always reach agreement, although we usually did. I do not pay tribute to the Government, though, who, every time we produced a report, including the report on women, vanished it. Up it went into a pigeonhole. Occasionally we received a reply, but they did not even care to read the thing properly.

For the people in trouble in my constituency, and for the people who do not have jobs and cannot get them, this is a rough world. Just a few weeks ago, I advertised for a research assistant. I had more than 100 applications and had to turn down some marvellous young people who have been unemployed ever since they left university. Wonderful people cannot get jobs. It is not true that people are workshy and do not want to work; they want to work but they cannot get it. There are not enough jobs, which is a disgrace to our country.

Those people want to contribute to society and they cannot do so. They are the people to whom the hon. Member for Stratford-on-Avon referred—the alienated, the homeless, the aged and the young. We have a disgraceful and awful society. That is why this motion is a fair and good one and why this Government will lose the next election, whomever they may keep as their Prime Minister.

6.56 pm

Mr. Peter Ainsworth (Surrey, East): It is a great honour, if a slightly daunting one, to follow that brilliant performance by the hon. and learned Member for Leicester, West (Mr. Janner). May I take this opportunity of wishing him a happy birthday tomorrow, and swift and many years' retirement as a conjuror? I should also like to say how sorry many of us Conservative Members—and I know Labour Members—are that the Select Committee that he has chaired for so long and with such élan will cease to exist, but I shall come on to the good reasons why that has to be so.

Like my right hon. Friend the Secretary of State for Social Security, I closely considered the motion before the House and it is interesting in what it tells us about the Opposition. It is a fairly characteristic piece of work. Having established a number of false premises, it goes on, through various permutations, to conclude with a recommendation that would undermine the very cause that the Opposition appear eager to promote.

The first false premise is this. The motion states:

"Government policies . . . have widened social division, led to damaging inequality and brought insecurity to millions".

That is easy to say and, if it is repeated often enough, I dare say that it becomes easy for some people to believe. The fact that it is untrue is a minor detail and an irrelevance to be shuffled away and buried, probably under a mountain of soundbites, as the truth is less congenial to the Labour party, which has a vested interest in bad news.

Many statistics have been bandied around in the debate. We all know that statistics are not the sum of human happiness, but we also know that, across the board, real incomes have increased substantially since 1979, that real take-home pay is up, that both were stagnant under Labour, that pensions are substantially higher and that certainly those pensions are going to the least well-off who are entitled to receive them.

In addition, if quality of life can be measured in material possessions—and I am not sure that it can—there has been a dramatic improvement in the quality of life of the poorest people in this country under this Government. Telephone, car and video ownership and the ownership of washing machines and home computers have increased substantially—particularly among those in the bottom decile of society—under the Government. It is obviously important to look not only at statistics but at the real-life experiences of individuals. The reports of the Institute for Fiscal Studies are very important in that regard, as they have examined the bald statistics as well as 3,500 individual cases. Therefore, the institute's findings must command respect.

We are often led to believe that those at the bottom end of the income scale represent a fixed group of downtrodden individuals who are condemned to live semi-permanently in relative poverty. That is simply not so. The IFS report makes it clear that there is considerable movement into and out of the bottom decile. It suggests that about half of those who were in the bottom decile in 1991 had moved up and out of it by 1992. That is not a reason for complacency. I share the view of my hon. Friend the Member for Stratford-on-Avon (Mr. Howarth) that it is no fun to be in the bottom decile—although it is a darn sight better than the situation in 1911, as referred to by the Opposition spokesman, the hon. Member for Glasgow, Garscadden (Mr. Dewar). It is important to remember that there will always be a bottom decile; that is a mathematical fact and there is no escaping it. What is important is the absolute—and, to a lesser extent, the relative—standard of living of the people in that group.

The IFS report goes on to suggest that the net income of those in the bottom decile in 1991 was 25 per cent. higher in the following year. As net incomes have not risen quickly in recent times, that figure suggests very strongly that the gap between the poor and those on average incomes is closing. The IFS findings are also supported by an analysis of expenditure. A report published at the same time shows that the spending of the lowest 10 per cent. of income earners rose by 14 per cent. in real terms between 1979 and 1992.

Another curious fact is that many people who report either zero or negative incomes have higher than average spending patterns. There are all sorts of strange statistical quirks involved and, particularly in the latter context, I welcome enthusiastically the statement by my right hon. Friend the Secretary of State about fraud and the benefit system.

The truth is never as simple as the Opposition would have us believe. That is precisely why they have arrived at a bogus premise for the debate. The Opposition motion goes on to claim that Government policies have brought uncertainty to millions of people. That is not so; it is not the Government who have invented policies that have created uncertainty for many people. I do not deny for a moment that there is a pervading air of uncertainty, which I readily accept permeates not only this country, but most developed countries, and certainly the whole of Europe.

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However, I think that it has a great deal to do with a profound change in the pattern of work and work experience.

Some 30 years ago, it was possible for people leaving school or university to expect to stay with the same employers for the rest of their working lives. That is simply not the case any more. Job mobility has increased dramatically. It has brought with it variety and choice but, inevitably, it has also brought a great deal of uncertainty. That is not the result of Government policy; it is the result of policies developed by employers to meet the challenges posed by massive technological changes and increasing competitiveness at home and in global markets.

The Opposition motion implies that the Government could have somehow resisted the changes and the powerful commercial pressures. I do not believe that there is any reasonable way in which that could have been achieved. Albania attempted to resist external economic pressures, and I do not think that anyone would suggest that that country has experienced an explosion of economic growth and prosperity, which has benefited the least well-off in Albanian society. There are powerful economic forces at work and we must understand them if we are to deal with them.

I accept that uncertainty is present in society. That uncertainty feeds through into the housing market and makes it difficult to take long-term decisions, such as whether to take out a mortgage. It raises all sorts of important issues, not just for this country, but for other European countries. However, I believe that the answers to those questions lie outside the scope of the debate.

The Opposition motion then turns its fire on the Government's decision to merge the Department of Employment and the Department for Education. The motion claims that

"the abolition of the Department of Employment signals the complete lack of Government concern about unemployment".

That is a load of codswallop. The merging of the two Departments formalises and focuses the relationship between education and employment that has always existed. The explicit binding together of the Departments recognises the fact that, although it will always be important to educate people for the sake of knowledge in its own right, we also have an overriding duty to educate young people for work. Closer links between employers and training centres, schools and colleges can only be mutually beneficial.

Much has been said in the debate about cuts in the training budget. It is very important to look at the Government's training policy in the round and not in isolation. A great deal more in-work training is now going on and the responsibility of employers in that regard is recognised more widely. I believe that the merger of the two Departments will help to drive forward the process of integrating training and education in the workplace. We are presented with a real opportunity to build on industry's existing involvement with the education system, to hone vocational skills in order to satisfy employers and employees alike, and to develop a competitive work force that is better able to generate the wealth that the nation will need in the future.

When faced with the opportunity to say, "Yes, it is not a bad idea," all that we hear from the hon. Member for Garscadden are sneers and trivialisation. That says a great deal about the Opposition's approach. They have missed the most important point about unemployment. Listening to Opposition Members speak in the debate, one would assume that unemployment had risen dramatically in this country and was somehow out of control. The truth is that unemployment has fallen by 660,000 since the end of 1992.

Fewer people in Britain are claiming unemployment benefit than in any other major European Union country. It has more people in work than any other EU country, and in the past 12 months, that number has increased by 300,000—faster than any other major country in the European Union. The reasons are the long-term benefits of major supply-side reforms introduced in the 1980s and continued under this Government in the 1990s; the end of the unions' stranglehold; the end of restrictive practices; greatly improved competitiveness by British companies; and a soundly based, growing yet low-inflation economy that provides the right background for economic development and job creation.

Britain's improved employment situation is also the direct result of specific Government policies to tackle unemployment, get people back to work and encourage them off the dole, and promote training in the workplace. Those carefully targeted and generous schemes include jobfinder grants, job plan workshops and restart courses. All have played their part in ensuring that Britain enjoys a relatively modest level of unemployment. Those are not just airy words, but hard policies. They represent, in the words of the Opposition motion,

"action which promotes employment opportunities, particularly for the long-term unemployed, increases the skills and adaptability of the workforce".

A great deal is being done, but Labour chooses to ignore it.

The Opposition, having established a grossly misleading picture of poverty and unemployment in Britain in the 1990s, delivered their hoary old panacea—the minimum wage. We do not know where it would be set. We tried to find out this afternoon, but had no success. No doubt Mr. Dromey tried to find out, but had no success either. I can understand the Opposition failing to answer questions from members of the Government Front Bench or my hon. Friends on the Back Benches, but I fail to understand why the Opposition are incapable of answering straight questions from their friends in the trade unions. What do they have to hide?

It is a great pity that Opposition Members funked answering questions about a national minimum wage. I give the hon. Member for Peckham (Ms Harman) another opportunity, because it is not too late to redeem her honour and come clean about that important plank of Labour policy. If the hon. Lady wishes to tell the House where she would set a minimum wage, we would all be delighted to know. All I get is the hon. Lady's seraphic smile. If my hon. Friends try again later, they also will be met with a smile—if not quite so seraphic—from the hon. Member for Garscadden. We do not know what the minimum wage would be worth, if we were ever to find ourselves confronted by one.

We know for sure, however, that a minimum wage would be bad for jobs. We know that not just from my right hon. Friend the Secretary of State or because Barbara Castle, the Leader of the Opposition, the deputy Leader of the Opposition, the leader of the Liberal Democrats, the hon. Member for Birkenhead (Mr. Field), the

Confederation of British Industry and the Organisation for Economic Co-operation and Development have said so. We do not need them to tell us that a minimum wage would be bad for jobs. A small family shopkeeper in my constituency who employs three people told me that if a minimum wage were introduced—and the shopkeeper of course did not know at what level, because Labour is not prepared to tell us—it would probably make that business unviable.

Underpinning the Opposition's motion is Labour's topsy-turvy approach to economics—a belief that the best way to help the worst-off is to spend money before it is earned, increase statutory burdens on industry and not reduce them, increase regulation and not cut it, hand power back to Labour's paymasters in the trade unions and increase the price of labour. Such a policy, according to the most basic economic manual, is guaranteed to reduce demand and to create more dependency, higher unemployment, less wealth creation and a country united only in its own decline.

7.14 pm

Mr. Andrew Miller (Ellesmere Port and Neston): I intended to start by apologising for missing the Secretary of State's speech but as he will miss my contribution, that makes us even. I am glad that the Minister of State, Department for Education and Employment is in his place because we have at least one thing in common, having both been praised or criticised for our peculiar taste in ties. However, I do not have the same taste in shirts as the Minister.

Mr. Stephen Byers (Wallsend): Thank goodness for that.

Mr. Miller: As my hon. Friend says.

I am particularly pleased that the Minister is present to hear my contribution because I want to bring to his Department's attention documents published by other Departments in the recent past that I hope that the Minister's colleagues have read avidly and understand. One document to which I shall refer gives the new Department specific responsibilities. At the beginning of the Secretary of State's speech, I noticed that the First Secretary was briefly in his place. I suppose that he was checking to make sure that the Secretary of State was following the right line, whatever that might be, and where he stands in respect of the productivity bonus that will presumably be paid at the end of this Session.

The Government's amendment to my party's motion states that the House

"welcomes the creation of a new Department for Education and Employment to improve further Britain's skill base and competitive position".

A key policy document launched by the First Secretary in his former post only one month ago makes no reference to that incredibly important Government initiative. The two Departments were merged because the Prime Minister has run out of loyalists and people whom he can trust in key Departments. Contributions made today ranged from that of the hon. Member for Stratford-on-Avon (Mr. Howarth), who severely criticised the Government, to those made by extremely barmy Conservative Members to whom even the Government would feel nervous about giving any ministerial office. The two Departments were merged because the Prime Minister had run out of players whom he could trust.

The competitiveness White Paper "Forging Ahead"—I am not sure of the relevance of that title—contains Government statistics, and it is important to quote them because then we shall know exactly how to put together the jigsaw. It is interesting that claims made in today's debate do not square with earlier statements.

Page 102 describes changes in the structure of employment in this way:

"As a proportion of total employment, employment in manufacturing has fallen and employment in services has grown, as it has in other countries . . . Employment in manufacturing peaked in 1966. In 1971, 36 per cent. of employees worked in manufacturing. Now 20 per cent. do so. As much as 30 per cent. of this decline may have been due to contracting out".

That may be so, but there is no evidence to support it. Certainly, the remaining 70 per cent. of the decline has taken place in the areas where our wealth-creating industries were located.

The document goes on to say:

"Banking, finance and business services employed 1.3 million people in 1971. Now these services employ 2.8 million. Over the same period, the number of employees in health-related services has risen by two-thirds, more than 600,000".

I wonder whether the Government would like to rephrase that in the context of full-time equivalents? That would produce some real statistics, but the comparison has been conveniently left out.

The chapter on employment also contains a lengthy reference to deregulation and health and safety matters. In this area at least, employment issues should be dealt with on a bipartisan basis. We should all share the clear goal of improving the nation's health and safety, but the Government have developed a theory; they think that if they get rid of some important health and safety regulations, all will be well. It is easy for Ministers to produce the occasional peculiar example, but in general the argument used in the document cannot be sustained.

The Government say:

"Ninety-seven per cent. of the recommendations of Lord Sainsbury's task force have been accepted . . . implementation of six key EU directives on health and safety—the 'six pack'—is to be evaluated".

That sounds like something to do with large quantities of lager, but the Government may understand the phrase better. They go on to say:

"A discussion document on health and safety for small firms and the self-employed will be published".

If the logic of Lord Sainsbury's task force is pursued into the small firms sector, the Government are saying, in effect, that they intend deliberately to deregulate so as to improve the competitiveness of small firms. It follows that that will be done at the price of the safety of the workers in those firms.

Page 104 sets out the reasons why the Government have been so successful at reducing the number of strikes. The hon. Member for Surrey, East (Mr. Ainsworth) referred, I think, to the bad old days. The briefing from Conservative Central Office omitted a key piece of information, however. Only with that information can we make sense of the figures. Why do not the Government publish the parallel figures—the number of days lost through unemployment? I refer to the manufacturing potential of a huge number of people. Anyone with any sense can see the relationship between the number of days lost to strikes and the amount of unemployment in the

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economy. Conservative Members have admitted that in other debates, so I do not see why the Government's official papers conveniently ignore it.

The Minister of State, Department for Education and Employment (Mr. Eric Forth): I trust that the hon. Gentleman is not trying to make a connection between manufacturing output and the number of people employed in manufacturing. That would seem strange in this world of productivity. Surely he must acknowledge that most of the successful economies in the world have undergone a reduction in the number of people employed in manufacturing while increasing their manufacturing output and exports—as we are doing.

Mr. Miller: That is not my point. I shall come to that in a moment in the context of my own constituency, which is a manufacturing base with severe employment problems resulting from Government policies.

The document that I have been quoting is an interesting read. One important paragraph has been referred to in a number of debates, here and during the Committee stage of the Pensions Bill, which finished its stages last week. It is the paragraph referring to the funding of an elderly population:

"In the West, governments play a key role in the provision of pensions. Ageing populations create pressure for higher expenditure on pensions, leading to higher taxes falling on fewer workers. And yet, in a world of global markets and capital flows, governments cannot increase taxes significantly without damaging national competitiveness. In these circumstances, individuals will not be able to look to the state to fund improvements in their living standards in old age."

That is an important statement. In other debates, Conservative Members have made several attempts to explain away the meaning of that paragraph—but they fail to look at the whole picture.

The same page includes an interesting graph, based on World bank projections that show the ratio of people aged 65 and over to the working population. The graph shows that Britain will have an increasingly old population, but the analysis in the document fails to draw the right conclusions from the rest of the graph. It shows that many of our key competitors, especially those in the Pacific rim, face, in the next century, a massive problem with funding their aging populations. That is because the sections of their populations aged 65 and over are set hugely to increase as a proportion of their general populations—much more so than in this country. It is thus disappointing to find no analysis of the effects of this change on our competitiveness. It is a shame that the Government have missed an opportunity to describe what may result.

Page 34 lists the top 20 manufacturing industries, ranked by sales/UK demand in 1992. One pair of figures stands out from all the rest, showing a remarkable success, compared with the other industries listed, of our pharmaceutical and aerospace industries. There are some lessons from history to be learnt at this point. These are two industries with a well-established relationship with the state over the years, covering the expensive research and development of their products. That is why it made sense for them to invest in the longer term. The aircraft industry received launch aid; the pharmaceutical industry established a market because of its connections with the national health service. Consequently, the two industries thrived far more than the others referred to in the chart.

To show how obvious that point is, the footnote at the bottom of the chart tells us that at the bottom of the list are motor cycles, with 1992 sales equivalent to only one seventh of United Kingdom demand. The Minister will know, with his background of responsibility for education, exactly where the primary research was undertaken for modern motor cycle engines. It was carried out in a British university.

It was a great sadness—with hindsight I think that we would all agree—that none of the major British companies picked up the benefits that came with research and the evolution of the light alloy engine. The new industry could have been ours had the combination of the private and public sectors worked together more effectively to realise the potential that exists in the United Kingdom.

As for comparisons with other countries, how can we make progress while dogma drives policy? We fail straightforwardly to take into account Britain's interests when policy decisions are taken that bear on the structure of our economy. The results of incompetence over the past few years will have an effect on poverty and divergence, as described by my hon. Friend the Member for Glasgow, Garscadden (Mr. Dewar). How do the Government think that we shall see improvement when their policy is to promote poverty pay and conditions?

Many families will never escape from the trap that the Government have created. Low-wage pressure is creating social consequences that have been recognised by the Secretary of State. In my constituency—I respond to the question asked by the Minister in an intervention—there is the major manufacturing town of Ellesmere Port, where productivity improvements have been dramatic. Vauxhall, which was near to closure, is now enjoying daily productivity gains. The company's product range is incredibly successful. The transformation is welcome, of course, but, irrespective of the company's share of the market, the reality is that it is unlikely that the work force will increase significantly in the near future. Other manufacturers have significant shares of the market. They are competing for the same market and for world markets. The fact that Vauxhall has succeeded in turning round the company at Ellesmere Port and making it a world quality plant is a credit to the company, Vauxhall, the parent company, General Motors, the work force and the trade unions within the company.

Mr. Hendry: And Government policy.

Mr. Miller: It was partnership that made it happen.

The hon. Member for High Peak (Mr. Hendry) said from a sedentary position, "And Government policy." Would he like to tell me how Government policy helped Vauxhall when the world-beating V6 engine plant came into place? I can tell him—this is the truth—that the Government did nothing to assist that project. If it had not been for the work force and the parent company, the project would not have been developed in the United Kingdom. Cynical remarks from a sedentary position are not worth a light.

Mr. Hendry: Will the hon. Gentleman give way?

Mr. Miller: I shall not give way to the hon. Gentleman. I shall listen to his speech.

Mr. Hendry: On a point of order, Mr. Deputy Speaker.

Mr. Deputy Speaker (Mr. Michael Morris): I hope that it is a point of order and not a point of argument.

Mr. Hendry: Is it in order, Mr. Deputy Speaker, for the hon. Member for Ellesmere Port and Neston (Mr. Miller) to ask me a question and then refuse me permission to answer it?

Mr. Deputy Speaker: That is entirely in order.

Mr. Hendry: It is bad manners.

Mr. Forth: It is a debate.

Mr. Miller: The Minister says that this is supposed to be a debate. I gave way to the hon. Gentleman and answered his question. I shall continue to respond to his intervention. The Minister did me the courtesy of making an intervention and not a sedentary interjection.

In the same area, the Shell petroleum refinery has shed thousands of employees during a period of increased productivity. The problem with the examples of Vauxhall and Shell, and other near-by manufacturing companies, is that the housing surrounding them was developed because of the evolution of the manufacturing sector in the town. The highest unemployment is now to be found in that housing. As a result, it represents the areas of greatest social strain.

The position is not unusual in manufacturing towns throughout the country. There is a belt of wealth creators in the manufacturing sector and increasing productivity, which is usually accompanied, but not always, by falling employment demands. The housing in manufacturing areas contains the greatest levels of unemployment. That creates potential for social tensions, which the hon. Member for Stratford-on-Avon talked about thoughtfully. My right hon. Friend the Member for Manchester, Gorton (Mr. Kaufman) and my hon. and learned Friend the Member for Leicester, West (Mr. Janner) also talked about it. The Government must bear in mind the important social tensions that arise.

I was depressed when I opened an Employment Agency office in Neston in my constituency. The Department of Employment invited me to open the office but I think that it assumed that the leafy suburbs of the pretty town of Neston would be Conservative strongholds. It forgot to examine the parliamentary boundaries when it issued the invitation.

Neston is extremely attractive and has historically had lower levels of unemployment than elsewhere in my constituency. Unfortunately, unemployment had been rising in the town. I was deeply touched by a conversation with a graduate in the jobcentre. He was reading the cards and trying to find a job that suited his skills. He told me, however, that he was no longer looking only for a job that suited his training and education. He was looking for any job that would enable him to sustain his family's existence. As he had given three years of his life to benefit from a university education, and the state had contributed significant sums to help him obtain his degree, that was deeply sad.

I listened with interest to comments about changing technologies and set them against a speech made by a former Under-Secretary of State for Social Security, the hon. Member for Wanstead and Woodford (Mr. Arbuthnot) at a recent conference on government and computing. He described with great eloquence what the Department of Social Security is doing in terms of investment in information technology to handle a growing problem. It was a very articulate presentation from somebody who clearly has a detailed interest in information technology. What he did not say, however, was what the Government are doing about data collection; why it is needed; why we have a set of rules and regulations that mean that the Government collect data several times over rather than utilising the skills of all the civil servants involved to help people who are in the various traps that have been created by poverty.

There was an exchange earlier on between my right hon. Friend the Member for Gorton and my neighbour the hon. Member for Wirral, South (Mr. Porter) about the cards to be used in the Department of Social Security. None of that will be of any relevance unless the Government address the real issue of why data are being collected. It should be to help the applicant, not to hinder. The whole process of data collection in that area is, in my view, totally upside down. If the Government introduced a mechanism whereby data were collected through positive interviews instead of through the rather cumbersome forms that are used at the moment, we would not need to get into the kind of debate that is going on.

The Department is studying whether it is feasible to introduce optical character recognition into form processing. That is an important piece of technology and is valuable in terms of speeding up and making things more efficient. Instead of looking at that technology, why do not the Government look as well at the basic reason why those questions are being asked?

It is my contention—one can see this throughout the Benefits Agency and the Employment Service—that information is being collected in an attempt to trap people into admitting that they are defrauding the system in one way or another. It would be a far more efficient and better use of civil servants' time if the assessment at the various agencies was done by positive interview instead of through the cumbersome forms that currently exist. Reference has been made in the House time and again to the 34-page disability living allowance form. I think that there are 32 pages for the new incapacity benefit.

All that nonsensical data collection is designed to entrap people. If all that were reversed and the resources that that would release were put into collecting data face to face, first, one would remove fraud from the system much more effectively than by the current auditing methods, and secondly, it would ensure that the elderly lady to whom my right hon. Friend the Member for Gorton referred would have got her benefits through positive interview at the outset instead of being frozen out by the crazy way in which the system currently operates.

On training, the Government have, on a number of occasions, referred to what they intend to do, and it compares poorly with what happens in other countries. It is not simply what the Government are doing directly, where they always seek to claim credit. What they fail to look at is the way in which they "incentivise" the private sector to make a more positive contribution. One visit that I have made as a member of the Science and Technology Select Committee will stand out in the my mind, that to the Stuttgart area the year before last, when we went to a machine tool company.

We asked the company what was happening in terms of investment in research and development and in training, during what was obviously a difficult period for that part of Germany. As hon. Members on both sides

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of the House will acknowledge, the enormous costs of integration of the eastern Länder, with the general western recession that was going on, had put some of its high quality, high-cost products, such as Mercedes and so on, in difficulty for the first time in a long while. It was interesting that when asked what it was doing in terms of R and D and of training expenditure, the machine tool company responded by saying, "Increasing them, of course." It could not understand why on earth we felt it necessary to ask that question.

It is feasible for that company to do that within the structure of that particular regional economy because the combination of the role of the state and the private sector, working together in a much closer partnership than exists here, creating an environment in which it is possible for companies to convince their bankers that they have a serious future in the middle of a recession and that they can invest during that recession on the key facets of R and D and training.

I wish to comment on the remarks that were made about the minimum wage. The hon. Member for Surrey, East claimed that the Labour party policy would put his small shopkeeper out of existence. How can he really say that when he does not know what the level will be? It does not make a great deal of sense, because, equally, if he went to his small shopkeeper and scared him in the way in which he is trying with that story, and said, "Corporation tax is going to affect you next year and it will be three times the level it is now," the small shopkeeper would say, "But that is going to put me out of a job."

Mr. Peter Ainsworth *rose—*

Mr. Miller: It is easy for Conservative Members to use something that will scare. The hon. Gentleman must admit, and I invite him to do so when I give way to him, that it would be unreasonable for us to say to the Chancellor, "Please tell us what the absolute rates of income tax will be for all bands in the 1996 Budget." It is equally easy for people to say that it is different, but it is not. It is an economic fact that the judgment can be made, based only on the information that is available at the time.

Mr. Ainsworth: I am grateful to the hon. Gentleman. It was not me who was claiming that that gentleman's business viability would be threatened, but the shopkeeper himself. I was not able to confirm that to him, because I did not know. The point that I was trying to make was that he, with millions of others who would be affected by a national minimum wage, has a right to know the level at which Labour would introduce a minimum wage. It is reprehensible of the Labour party to threaten a minimum wage without having the guts to say where it would clock in.

Mr. Miller: I am sorry if I misrepresented the hon. Gentleman. I would not want him to get into difficulties with his small shopkeeper. I invite him to go back to the small shopkeeper and say to him honestly, "I cannot, as the hon. Member for Surrey, East, give you any guarantees about the level of any form of Government taxation or minimum or maximum wages." It is impossible for such guarantees to be given. Those figures can be developed only at the time, in consultation with the social partners involved. Therefore, it is quite impossible to talk about a figure at this time.

Mr. Jim Cunningham (Coventry, South-East): Does my hon. Friend agree that, in a recent interview on NBC television, President Clinton of the United States said that he would look to Congress for an increase in the minimum wage? Does my hon. Friend also agree that, when we had the minimum wage before, small shopkeepers did not go out of business, regardless of the level?

Mr. Miller: I did not hear the interview with President Clinton. However, on my most recent visit to the United States, I was impressed by the way in which the local minimum wage, at state level, was seen as a benefit to, and a stabilising factor in, the economy. It was considered that it had resulted in the state being less responsible for the eradication of poverty than was the case in this country. It is ludicrous that, in this country, the state has to sustain those who are paid poverty wages by their employers.

Mrs. Gorman: Does the hon. Gentleman agree that it is a fundamental law of supply and demand that if prices go up, consumption goes down? That applies to labour just as it does to tomatoes, beef or mortgages. If one increases wages artificially to a level that, by definition, is above a level of which some people disapprove, some will lose their jobs. The jobs will not melt away, they will be lost.

Mr. Miller: I presume, then, that the hon. Lady would have voted against the Equal Pay Act 1970. The truth is that that legislation, which on her theory would have had the same effect, did not reduce the amount of work available to women. I have heard the hon. Lady say, time and again, that the Government's success has been to increase the number of women in employment. The Government simply cannot have it both ways.

Mr. Jim Cunningham: Is not the hon. Member for Billericay (Mrs. Gorman) really arguing for something that her party has repudiated for the past 16 years—a prices and incomes policy?

Mr. Miller: My hon. Friend finds it difficult to follow the logic of the hon. Member for Billericay (Mrs. Gorman). As usual, she is somewhat confused. I shall not repeat the words used to her by Viscount Cranborne earlier this month. She is clearly confused, which must be a point on which Ministers and I would agree.

I refer the House to the last two lines in the Government's amendment, which asks the House to recognise that

"improving opportunity and the reward for effort is less socially divisive than encouraging dependency and the politics of envy."

The opportunity will come only when the country has the opportunity to vote for a new Government. The reward will come when my right hon. Friend the Member for Sedgefield (Mr. Blair) is in No. 10 Downing street. Conservative Members will be those experiencing the dependency culture because of their politics of envy—[HON. MEMBERS: "Yours."] It is their politics of envy that we shall soon see. They will envy us being in government while they are not. A good number of Conservative Members who have contributed to this debate will be the unemployment statistics of the future and we shall then see where the envy really is.

7.53 pm

Mr. Alan Duncan (Rutland and Melton): We have heard a lot of curious economics from Labour Members in this debate; perhaps none more puzzling than the

speech, which lasted for 40 minutes, of the hon. Member for Ellesmere Port and Neston (Mr. Miller). He stated some curious concepts, which will astonish any Conservative Member who has a greater foundation of understanding of what really rules in the true world of economic decisions.

I can well understand why the hon. Gentleman was inclined to throw something of a tantrum when my hon. Friend the Member for High Peak (Mr. Hendry) called on him to explain the significant success of Vauxhall—a major supplier and a major employer in his constituency. The hon. Gentleman was too churlish to pay tribute to the Government and their policy of allowing enterprise to thrive, which must be given much of the credit for the success of that company.

The motor car industry has been a stunning triumph in the past 15 years. It has gone from an industry of subsidised, bankrupt concerns to one of massive employers and tremendous export successes the world over. That triumph has generated jobs, security and profitability in the constituency of the hon. Member for Ellesmere Port and Neston. The time has come when the hon. Gentleman should admit where so much of the credit properly lies.

The hon. Member also made a curious comment in which he equated days lost through strikes—a thing of the past—with days lost now through unemployment. No one can deny that a day spent on the dole is a waste—primarily for the individual, but also for the productive capacity that the individual would be able to display if he were employed.

What I did not hear at all from the hon. Gentleman was a proper solution to the predicament in which these people find themselves. Is he saying that the money spent on the dole should be transferred to a jobs subsidy? Is he saying that there should be subsidies for investment to get everybody back to work? What is he really saying about the market for labour? Does he have a solution to the plight of the unemployed over and above what the Government are doing, which is successfully reducing the number who are unemployed?

Mr. Miller *rose—*

Mr. Duncan: I happily give way, although the hon. Gentleman would not give way to my hon. Friend the Member for High Peak.

Mr. Miller: What I was saying—

Mr. Jacques Arnold (Gravesham): You had 45 minutes.

Mr. Miller: I am replying to the hon. Member for Rutland and Melton (Mr. Duncan).

I referred to the German economy, and I said that there was a far more successful partnership there between the private sector and the public sector, which created an environment in which the banks could be far more confident in the way in which they worked. I invite the hon. Gentleman to look at such examples before ridiculing my comments.

Mr. Duncan: When my hon. Friend the Member for High Peak and I were in Germany 18 months ago, the major employer, Mercedes, was laying off 15,000 of the 40,000 employees. Daimler now faces a loss, for the first time in living memory. There are many problems with the German economy. It is a great sadness that the likes of the hon. Member for Ellesmere Port and Neston will not give credit where credit is due, which would help the sense of security which is not as robust as it should be among the likes of his constituents, and, indeed, mine.

The hon. Member also said that there would be a problem with old age, and that that would have economic consequences in the United Kingdom. Indeed it will. He did not, however, then say that Britain has £500 billion-worth of pension funds under management, which is more than the figure for the rest of the European Union countries put together. We have made greater provision for old age than any other country in a comparable western setting.

Mr. Miller: Will the hon. Gentleman give way?

Mr. Duncan: I will not give way just now; I shall give way in a moment, if the hon. Gentleman persists.

The hon. Member for Glasgow, Garscadden (Mr. Dewar) drew on the wisdom of R. H. Tawney in saying that tadpoles needed to turn into frogs. I was tempted to intervene, by and large to agree with him. He said that he wanted agreement in the House to rid the country of low pay, poverty and inequality. Well, I am in very generous mood, and I am content to agree with two out of his list of three. As he well understands, I consider that his obsession with inequality is an utter diversion, which detracts from the energies that are needed to rid the country of low pay and poverty.

The hon. Member for Garscadden wants tadpoles to turn into frogs. Whenever I see a frog, I am inclined to kiss it in the hope that it will before my eyes turn into the noble Baroness Thatcher. I have so far been unsuccessful. But she at least understands the difference between socialism and conservativism. I never saw more ferocity in Baroness Thatcher's eyes than when she explained to me that the difference between the two sides of this House was that she—and that means the Conservative party—liked to lift people up to their full potential, while the socialists wished to level them down.

No debate on aspects of social security is complete without a proper exchange between the hon. Member for Garscadden and me, but I regret that he was not prepared to give way to me at any stage today. [HON. MEMBERS: "He did."] He did not give way to me. The hon. Gentleman usually makes supremely confident speeches, but for the first time—[HON. MEMBERS: "He did give way."] No, the hon. Gentleman referred to me, but he did not give way.

The hon. Gentleman's attempt today to defend his party's policy of the minimum wage was the first time that I have ever seen him look uneasy at the Dispatch Box. I have never seen the hon. Gentleman equivocate so unhappily as he did in attempting to describe the proper consequences of this misguided policy.

I listened with particular interest to the speech of the right hon. Member for Manchester, Gorton (Mr. Kaufman), because I have heard him speak on the topic before. As we saw tonight, he speaks on the predicament and plight of his constituents with evident passion, and rightly so. But where we part is not in failing to recognise the plight of his constituents and in wanting to do something about it, but in the solutions that we would deploy to try to address the problem.

[Mr. Duncan]

The Manchester of today is a far cry from that of a century ago, when the aptly named Manchester liberalism released all the strengths and energies which built the marvellous buildings, established the municipal pride and introduced new-found wealth into a proud city. Those energies now seem sadly to have been lost. I do not think that the constituents of the right hon. Member for Gorton are victims of 15 or 16 years of Conservative government. Rather they are victims of municipal socialism, which has gradually risen in the past 50 years.

I have yet to receive from the hon. Member for Garscadden a detailed critique of my book, which I am sure he has read with great relish from cover to cover. The book's main thesis—as the hon. Gentleman will know—is that many of the problems we face today were not caused by the past 20 years, and that one needs to go back a century to trace the gradual and pernicious advance of collectivism into all the nooks and crannies of an individual's life, so that all the intermediary institutions which gave us the power and strength to make people richer, freer and more self-reliant have been displaced.

One element of that is the gradual advance of taxation and the scale of it. While I shall not dwell deeply on the book, which was published a matter of weeks ago, I shall quote from a bit of it. My fellow author Dominic Hobson and I wrote:

"In a modern economy without large concentrations of personal wealth which can be taxed for redistribution to the poor, the heavy burden of direct and progressive taxation is arguably far more unfair than any number of regressive indirect taxes. This was well-put by a young Labour MP in the House of Commons nearly fifty years ago.

'As we get . . . more and more to the stage where men will start life equal as far as possible and will rise by merit in the sphere in which they can offer the maximum contribution to the country's welfare, I do not think we ought necessarily to persist in a system of taxation which will tax higher remuneration at a higher rate. Indeed, in a fully developed Socialist economy, I would expect to see indirect taxation replacing direct taxation as the main source of revenue, because in a Socialist society, where men start equal and rise by merit, there is no point at all in giving them a substantial wage to reward the contribution they are making to the national economy, and then taking it away by taxation.'—[*Official Report*, 1 November 1946; Vol. 428, c. 1004.]

His name was James Callaghan, and it was his privilege as Prime Minister to preside over the highest rates of income tax in the history of his country. When he joined the Inland Revenue as a Civil Service clerk in 1929, the poor did not pay income tax at all. Their main interest in the annual Budget, as Callaghan later recalled in his memoirs, was whether or not it increased the excise duties on beer, cigarettes and tea. It is a measure of what has happened since that they are now having to pay for those pleasures out of taxed income."

We will spend £94 billion on social security in the next fiscal year, but that great roundabout of money—a money-go-round—does not appear to have worked, as we still have people in poverty. Yet there seems to be insufficient readiness on the part of Opposition Members to look to this enormous budget and to try to work out how it could best be directed. There is too much call for more of the same, when what we have got is not solving the problem.

Like the hon. Member for Garscadden, I want to solve the problem of poverty. But why is it that we will spend £94 billion and we will still have the problem? The first thing to say when looking at poverty is that some of the slogans have bedevilled and, I fear, trivialised the debate. Opposition Members have pumped for all its worth the slogan "the rich are getting richer and the poor are getting poorer", but it is an illogical slogan. It is cleverly designed to imply that it is because the rich are getting richer that the poor are getting poorer. It is designed to say that Opposition Members have a claim on the money of the so-called rich in order to solve the problems of the so-called poor.

Indeed, so perverse has the morality which is attached to the slogan become that those who believe in socialism have raised to the status of a moral act the belief that it is somehow right, decent, proper and morally superior to expropriate other people's money for the alleviation of poverty, and that that is somehow better when it is done collectively than when individuals do it themselves. I find that profoundly perverse, and the nub of the debate is whether that slogan has any merit or value.

Mr. MacShane: Will the hon. Gentleman give way on that point?

Mr. Duncan: I am prepared to take the risk.

Mr. MacShane: When the hon. Gentleman worked in Singapore, between 10 per cent. and 18 per cent. of all his income went into the Singapore central provident fund, which was set up by the Singapore Government to raise money from all salary earners to provide for the general lifting up of the conditions of the people of Singapore. Does he welcome the fact that a far smaller proportion of his income is taken by the British Government in the area of providence and insurance?

Mr. Duncan: I am not sure that the hon. Gentleman's comparisons are right. Certainly, if we could get tax levels down to 10 or 15 per cent., it would be a miraculous step forward, but that will not happen here, and it is not quite what is happening in Singapore. There is a contrast between the countries in the balance between the priority given to investment and the priority given to consumption, in the way in which money is spent by the state.

There is very little social security in Singapore, but the warmer temperature and cheaper food mean that those necessities are easier for people on lower incomes to acquire. The proportion given directly to cash handouts in welfare in Singapore is small compared with the amount that goes into investment that is taken from the pool of what is raised in taxation. So the hon. Gentleman's comparison is defective.

My hon. Friend the Member for Surrey, East (Mr. Ainsworth) drew on an argument that is critical to the defective slogan that the rich are getting richer and the poor poorer. The statistical analysis from which the premise is drawn is deficient. The implication is that a fixed series of people are poor and are getting poorer as the rich get richer.

As my hon. Friend pointed out, the report of the Institute for Fiscal Studies makes it absolutely clear that although, in comparative terms—as a ratio of the poor to the rich—a category of the poor is getting poorer, it is not true to say that the same people are affected all the time. If one traced a sample, one would find that those people had been able to work themselves up the ladder, but by taking a sample that is different every time, the conclusion is drawn that the poor are getting poorer.

As the IFS says:

"All these statistics actually tell us is that the poor in 1991-92 were typically poorer than the poor in 1979. Not that people at the bottom in 1979 had got worse off."

In point of fact, the slogan that the poor are getting poorer and the rich richer contains so much deception, deceit and inaccuracy that, if the Opposition want to be true to their consciences as they are for ever calling on us to be, it is time they revised the words they so often use.

The hon. Member for Garscadden chided and taunted me, saying that he believed it was my view that inequality does not matter. By and large, that is my view. The obsession with inequality has become a red herring, which diverts energy from a proper attack on poverty and low pay. If one irons out inequality and makes that one's target, one is merely homing in on those who are identified as being rich. In terms of solving the problems of the poor, the arithmetic would not add up. If it does not add up, there is no purpose in the objective beyond trying to make a philosophical point and employing it with envy and venom, which is sad to see and entirely counter-productive.

Lord Callaghan said in this House nearly 50 years ago that he would much rather see a proportionate tax or a tax on expenditure than a vicious progressive tax on income, and I agree. One of the first rules of economics is to understand the difference between stocks and flows. The socialist will look at the stock—the cake—and say, "It's unfair. I've got to divide it." But it is the old lesson of the golden goose. Economic prosperity comes from a continuum—a dynamic. If it is undermined by slicing it in half, for a one-off redistribution, the energy will be sapped, and the dynamic will be the lesser for it. The obsession with inequality is counter-productive and puts a brake on the wealth-creating energy, which, in the long run, is what one needs to solve the problems of poverty and low pay.

The hon. Member for Rotherham (Mr. MacShane) mentioned Singapore. This country has a balance of Government spending that is biased too much in favour of consumption and too little in favour of investment. Even the hon. Member for Brent, East (Mr. Livingstone), in an economic analysis document that I received in the post this morning, said that the problem with the British economy is that there is not enough investment. He is right. At the same time, however, he and many of his hon. Friends will be calling for immediate increases in the amount of money given to those they deem to be in need. One cannot have it both ways.

The other pernicious effect of the despotism of democracy, in which we all compete for votes by promising to spend other people's money, is that people's expectations have been raised to unrealistic heights. The sad and horrible truth about our democracy at the moment is that so many politicians' promises will never be met from the resources made available by people paying their taxes later.

It is time that we took stock of what can be afforded and shifted the balance between consumption and investment, to plan properly for the future and for the burden on those in work. As the hon. Member for Ellesmere Port and Neston said, the ratio between those in work and the elderly is going to change adversely, and we must provide for that now. If we promise that too much can be delivered straight away, we will never meet the expectations of those who are working their way through the system now.

Mrs. Gorman: Does not my hon. Friend agree that Hong Kong would be a better analogy to support his argument than Singapore? In the former, an open and free labour market and productivity, coupled with low taxes and amazingly high savings levels, has produced phenomenal growth—so much so that the majority of people there enjoy a higher standard of living than many people in Europe.

Mr. Duncan: I totally agree, and that is where I would like to see us heading. We have reached a point where we are minority shareholders in our own incomes. The best part of 50 per cent., or more, is taken by the state. Once one reaches that point, it is difficult to reverse the process. Doing so is the challenge that we, as politicians, face in the years ahead. If we can reverse the process, we will do more for the poor and the low-paid than anything a socialist Government could ever do by simply raising the taxes of those who are earning—a one-off, declining tax—supposedly to give to those in need, which will draw us all down.

I must dwell for a moment on the minimum wage, which is a great concept for a party in opposition, because it appears to promise those who feel deprived a better income, but it all depends on the level. My hon. Friend the Member for Surrey, East mentioned a shopkeeper. The hon. Member for Ellesmere Port and Neston would not say what the minimum wage would be for the shopkeeper in Surrey, East.

If the wage is below what is already being paid, it is a policy that is not worth the name, because it does not deliver any benefits. It is merely an undelivered promise that in no way raises a wage. If it is higher than what a shopkeeper is prepared to pay an assistant, it is bound to have a detrimental effect.

It is astonishing that that dichotomy has not been properly analysed, and that the Opposition will not commit themselves to a number. No number, no policy. It is meaningless. If it is below the equilibrium market price for labour, it is a complete irrelevance. If it is above, it is a tax on jobs, which will drive people out of work.

It is a lie to convey to the low-paid the impression that they would somehow be better off and that the policy would not cost anyone their job; it would. It is going to cost jobs. If it does not, it will make people work illegally.

Mr. Peter Ainsworth: My hon. Friend touches on the nub of the argument about the minimum wage. The policy is technically, but also philosophically, flawed, in that it involves the intrusion of politics into the arrangements that business people, whether large businesses or small shopkeepers, make with their staff.

Mr. Duncan: My hon. Friend is absolutely right. It is high time that those responsible for writing in the newspapers and broadcasting on television properly dissected the true effects of that cretinous policy with a forensic accuracy. It is cretinous because, if the wage is low, it is nothing, and if it is high, people will be out of work or driven to work illegally.

Yet the hon. Member for Ellesmere Port and Neston said that it would be a wonderful system, because, if we raise wages, people will pay national insurance

[Mr. Duncan]

contributions and will be off benefit. That is a cost to someone. It will be a cost to the employer or the employee, and it will drive people out of work.

The hon. Member for Garscadden said that people in his constituency say that they cannot buy things or do things. Too many people are in that predicament. The wish to solve it is an objective that is shared—I hope he will take this in good faith—by both sides of the House. But to say that greater intervention, a minimum wage, higher taxation and an anti-business culture, which we have seen in so many aspects of what the Opposition say, will make things better is patently absurd.

We have a lot of catching up to do. In the years since the war, we have spent too much before we had it and invested too little. If we do not reverse that balance, as we have started to do dramatically in the past 15 years, we shall be back to the bad old days, and socialism will drag us and the poor down even further.

8.20 pm

Mr. Denis MacShane (Rotherham): It is a great pleasure to follow the hon. Member for Rutland and Melton (Mr. Duncan), who made a speech for the Opposition. He talked about all the terrible things that have happened for most of the past 50 years. I must ask which party has been in power in the past 50 years—or the past five, 10 or 15 years. His speech reflected the split in the Conservative party. We heard the first glimmering outlines of the new philosophy of what will be a split Tory party in opposition. I wish the hon. Gentleman well, as I admire his intellect. I do not have to agree with what he produces, writes or says, but I admire intellectual dexterity, and he has much of it.

We talked earlier of tadpoles. The hon. Member for Rutland and Melton talked of kissing Baroness Thatcher in the hope that she would turn into a frog—or perhaps it was the other way round. Clearly the hon. Gentleman is prepared to embrace the past, in the hope that it will define the Tory party's future. He is the author of a remarkable book, which I am sure has been read by all Conservative Members, called "Satan's Children". I recommend it to everybody.

Mr. Duncan: "Saturn's Children".

Mr. MacShane: Oh, "Saturn's Children". Forgive me. I knew that it was project Pluto or a message from planet Portillo, but getting the name exactly right escaped me. We look forward to reading it. As the author of many a remaindered book, I hope that the hon. Gentleman's publishers did not print too many copies.

The fundamental difference in this debate, which we saw in the sniggering from the Government Front Bench during the speech of my right hon. Friend the Member for Manchester, Gorton (Mr. Kaufman), is that the Opposition attack poverty while the Government attack the poor. That is certainly the impression in the country.

Far cleverer than Karl Marx, the contemporary Conservative party has created not one but two reserve armies in the labour market. The first is the reserve army of the unemployed. We do not know how many people are unemployed, because the Department of Employment, that famous massage parlour for unemployment statistics, has been abolished. So the debate that used to entertain both sides of the House is over. We no longer know whether it is 2.5 million, 3 million or 4 million, because the Department of Employment and its vital statistical work in that area exist no more. However, we still have a massive reserve army of unemployment to drive down wages.

I admire the Conservative party, which has not ruled this country on and off for 300 years for no good reason. It has created a second reserve army: the poverty-in-work army. That consists of those in employment of a sort—part-time, low-paid or zero-hours-contract employment. Like Blücher arriving on the field at Waterloo, the Conservative party's armies of unemployment and poverty helped to render the lives of so many people insecure with low pay and unable to plan with any confidence in the future.

I simply ask hon. Members who will troop through the Lobby in an hour and a half's time to think of our children, nieces or nephews who have left university in the past couple of years. How many of them have a job or a job that matches the educational attainment into which they have put so much effort? We all know that the answer is: very few. We are talking about the future of our country, those who have invested in education and, like many hon. Members, gone to university and attained degrees. Yet they now find that their lives are ebbing along on minuscule wages and hand-to-mouth jobs, because we have so tilted our society's labour market away from work.

I pay tribute to the eloquence of my right hon. Friend the Member for Gorton, who showed a mastery of statistics that I cannot repeat. He offered us a long statistical narration that held the House. In my constituency of Rotherham, one in six men are out of work. They are men without destiny or hope, condemned not just to regular signing on but to the new water torture of the jobseeker's allowance and the salami tactics of taking away from them any hope of sustained help from their fellow citizens, via the state, to conduct their lives decently.

Unemployment is now a bit lower. What a funny turn of phrase to say that unemployment is lower. We define our society in the ebbs and flows of unemployment rather than permanent, enduring job creation. Unemployment is a little lower than a couple of years ago, thanks to a significant devaluation, which has provided the boomlet that the Prime Minister and his Cabinet make so much of in their speeches. But compared with 1990, there is now 20 per cent. more unemployment among male workers in Rotherham.

The hon. Member for Stratford-on-Avon (Mr. Howarth) talked about a society divided against itself, and a war of all against all. He is good at reeling off Hobbesian phrases. Let us compare the present with 1979, when life was, perhaps not a paradise, but far better for male workers in Rotherham than it is now. It was also better in 1970, 1960, 1951 and the first half of 1945—all years when this country was governed by a Conservative Government. I shall come back to that point later in my speech.

What is fascinating about the society in which we live is not the non-application of old or new Labour party or socialist ideas, but the betrayal of the idea that we live in one nation and even a betrayal of the Conservative philosophy which, until the past 15 years, accepted a sense of responsibility for social community.

Every week at my surgery, since I was elected a year ago, I have confronted someone whose life prospects would be helped—*[Interruption.]* My cough is caused by the filthy smog in which we have to live under the Tory Administration but that is another debate. At each of my surgeries—*[Interruption.]* I ask hon. Members either to stand up or shut up. If they are sitting down, they should let me get on with my speech.

Mr. Jacques Arnold: Would the hon. Gentleman tell us whether smog in London was better in the halcyon days of 1950, 1945 and before?

Mr. MacShane: As a small boy, I dimly recall struggling my way to school through dreadful foggy smogs. How grateful I was for the excellent Clean Air Act 1956. This is rather a big diversion, but how I wish that the Government could return to those values of seeking to lift up the general status, health and social standards of the entire nation.

To return to the debate—even if the House is relatively empty—I recall that a vigorous couple, the man aged about 30, recently came to my surgery with their two children. He had signed a contract for £8,500 a year to deliver computer parts for a company in Sheffield. He was getting up a 7 o'clock in the morning to deliver his orders, working right through the day to 6 or 6.30 pm, coming home and spending an hour or two planning his delivery route for the next day. His hourly rate of pay was under £3.50.

They were young, vigorous, confident people, and he and his wife had calculated that they and their two children would be better off on the various forms of benefit that are available. He asked whether he could move to an hourly rate, but there is no mechanism for that. I asked him whether he was a member of a union. He said that he was not, and that, if he joined a union, he would be dismissed. I asked what would happen if the other drivers joined him and put it to their employer that they should get a better hourly rate. His answer was that they would all be sacked on the spot.

I see that the Secretary of State for Education and Employment, who has taken employment back under her wing, is smiling, but that is the life story of millions of people—a life story of low pay, no help and more hope with social security.

I have a letter from a Mr. William Clarke in my constituency, who came to see me. I urged him to go to the jobcentre to find a job. He is 53, and a qualified heavy goods vehicle driver. There are plenty of heavy goods vehicles on our roads; there is plenty of trade—we are told that the economy is booming. But no one will give him a job. He went to the jobcentre, but he reports that all the HGV jobs are temporary with flexible full-time hours, temporary with full-time hours, or temporary but only in categories for which he is not qualified.

He went to be retrained and added extra qualifications to his HGV qualifications to get a job. What did he find? The job qualifications had suddenly changed. In much of our industry, employers are taking on workers only if they qualify for family benefit. Single young males who are relatively unskilled will not be given a job. Males who are not single, but are skilled and have a wife and children will get jobs. That may be good. I am all for encouraging employment for male family heads of household, but they are taken only because of the taxpayers' subsidy via the benefit system. That cannot be right.

The Rotherham picture fits into the national one. There are 1.5 million of our citizens, thousands in each of our constituencies, who earn less than £2.50 an hour—the price of a Pimm's on the Terrace. We have to pay £2.5 billion as a taxpayer subsidy to firms each year. I shall be interested to see whether the Secretary of State will deal in her winding-up speech with the idea of a national minimum wage and what that costs in Europe, a subject of which much was made earlier in the debate.

The unemployment statistics for Europe show that, in Austria, Denmark, France, Germany, the Netherlands, Italy, Spain and Sweden, just to cite EU members—I am quoting the latest issue of *The Economist*—the unemployment figures are falling as fast as, if not faster than, in the United Kingdom. Four times as many jobs are being created in Germany as in Britain, and that is with the social chapter and wage negotiation that amounts, in effect, to a national minimum wage.

Other speakers have referred to Asia—the hon. Member for Rutland and Melton certainly did. However, the base for the success of all the Asian economies is a much more compressed ratio of wages of employers and employees—8:1 in Japan compared to over 30:1 in Britain. There are no Richard Greenburys earning 100 times the starting wages of the equivalent of a Marks and Spencer shop assistant in Japan. In Hong Kong and Singapore, too, there is a much narrower differential in the ratio between the bosses and what the people who actually generate the wealth earn than in the United Kingdom.

That is also true of the rest of Europe. The ratio of earnings of the chief executive officers and chairman of the top firms in France, Germany and the Netherlands to those of their employees is much smaller than in Britain. The fundamental problem is that there has been a significant devaluation of employed work in Britain. We are moving to a rentier society, with rich incomes for those with funds invested and miserable giro payments that destroy morale for those who depend on state benefits.

In essence, the values of 1968—of anything goes, what I want I can have, what happens next door does not concern me—have been embodied in the contemporary Conservative Government. That is why Labour is appealing against greed at the top and against a society in which people's expectations are set by lottery winners, the values of Hugh Grant or the salary of Cedric Brown. Instead, we are trying to return to a society in which people's values are based on community and neighbourhood.

The argument of the Conservative party is, as I understand it, based on the Laffer curve nonsense about taxation. The rich do not work hard enough because they are not rich enough and, according to the Secretary of State for Social Security, the poor do not work hard enough because they are not poor enough. That is a fundamental divide.

Mr. Geoffrey Clifton-Brown (Cirencester and Tewkesbury): The hon. Gentleman seems to have based his entire diatribe on the idea that the Government should spend more. Perhaps he would consider the example of the United States, where Government expenditure as a percentage of GDP is 35 per cent., yet their unemployment rate is only 5.4 per cent., down from 6.7 per cent. a year ago. If he thinks that an incoming Labour

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Government will somehow magically improve employment prospects in this country, how are we to compete with the United States?

Mr. MacShane: I shall pray in aid the Speaker of the House of Representatives, the honourable Newt Gingrich, who voted for an increase in the national minimum wage in 1990 and 1991. The Americans seek to put a floor under exploitation precisely so that the state does not have to subsidise low-pay employers, which is the philosophy of the British Government.

I would buy into some of the Conservatives' arguments if they applied the American experience, and if, for example, there were 52 regional Parliaments and control was decentralised from Whitehall. However, the fundamental difference is that in this country we have neither the American experience nor that of our more successful European or Asian competitors.

That was recognised more than 100 years ago by that well-known socialist Benjamin Disraeli, who proclaimed:

"the first consideration of a Minister should be the health of the people".

He was not talking about health solely in terms of hospitals, but in the broad social sense.

In his excellent book entitled "The Great Democracies", Winston Churchill described what the Conservative party did in the 1870s:

"A Trade Union Act gave the unions almost complete freedom of action, an Artisan's Dwelling Act was the first measure to tackle the housing problem, a Sale of Food and Drugs Act and a Public Health Act at last established sanitary law on a sound footing. Disraeli succeeded in persuading much of the Conservative party not only that the real needs of the electorate included healthier conditions of life, better homes, and freedom to organise in the world of industry, but also that the Conservative Party was perfectly well fitted to provide them."

How far the Conservative party has travelled since then. Its meanness and indifference and its sniggering about poverty that we have heard from Conservatives today proves how unfit, how divided and how irrelevant contemporary Conservatism is, whether of the Vulcan or the "dithering", "don't know" and "undecided" factions.

If we want to build one nation again, we shall need a change of Government. Only a Labour Government can deliver to the citizens of Britain the one nation they need and merit, and in which they should live.

8.41 pm

Mr. Jacques Arnold (Gravesham): I am most grateful to the Opposition for choosing a debate on social and economic policy. My only regret is that their motion does not live up to the occasion.

Labour's motion condemns what it calls "damaging inequality", but it does not deal with the fact that the policies that Labour has traditionally espoused would bring about a damaging equality. What concerns me is that Labour's policies would create a damaging equality between the working men and women of Britain and the workshy. We have heard nothing about the measures that Labour would introduce to encourage working people. Labour policy invariably deals with how one can increase the income of the workshy, which results in employment traps which in turn are a major problem for the social and economic fabric of this country.

The motion then condemns so-called "insecurity". It should certainly be tackled, but it stems largely from the rapidly changing world economic situation. We have always said that no one owes us a living, but the tiger economies and Latin America are coming up rapidly and beginning to compete with us. It is indeed the case that no one owes us a living, but how would Labour policies deal with the serious insecurity facing us? We have seen the steps taken by the Government, but the Labour party offers in exchange only the minimum wage and the social chapter. Many of my colleagues have dealt with those two particular Labour policies. There is no doubt that if they were carried out as Labour proposes, insecurity in this country would increase considerably.

The Labour motion goes on to say that

"the Government must take action which promotes employment opportunities, particularly for the long-term unemployed, increases the skills and adaptability of the workforce".

It is clear that Labour did not listen to the opening speech of my right hon. Friend the Secretary of State for Social Security, who catalogued the steps taken by the Government. Indeed, those steps are outlined in considerable detail in the admirable Government amendment.

I shall now concentrate my remarks on the current trends in social and economic policy and their impact on the family. I wonder how many people have faced up to the facts. Today, one in five families with dependent children is headed by a lone parent compared with only one in 12 in 1971. How many people are aware that the proportion of families headed by single mothers who have never been married has grown from 1 per cent. to 7 per cent. in the same period? Today, nearly one in three births occur outside marriage compared with one in 16 only 30 years ago. Marriage rates have reached their lowest point since records began more than 150 years ago. There has been a sixfold increase in the annual divorce rate since 1961. If current trends continue, four out of 10 new marriages will end in divorce.

Two out of three mothers with dependent children have jobs or are actively seeking work compared with fewer than half only 20 years ago. Economic activity among mothers of children under five has increased from just over a quarter to almost half. Those facts have been exacerbated by a mixture of changing employment patterns and the impact of the tax and benefits structure.

I would contend that the social and economic policy followed for many years has resulted in the undermining of the breadwinner. The strength of the role of the father-provider of the family has been severely eroded. In the past 30 years, this country has lost 3 million relatively well-paid full-time jobs for semi-skilled and unskilled male factory workers, and modern technology has also limited the low-skill male jobs in transport, warehousing, retailing and offices.

As a result, the unemployment rate for young low-skilled males is high, despite the development of new schemes and training by the Government. That has led in turn to those very young men not providing what is known as a "marriage prospect" to eligible young women and a low rate of creation of stable marriages in which to bring up children. Their loss of self-esteem derived from full wage packets also leads to delinquency and crime.

Conversely, modern technology has created millions of new jobs requiring greater skills, and they are more suited to the aptitudes and preferences of women. Jobs are also

more flexible and not necessarily full time. That has created a swing in the balance of employment, encouraging female employment to such an extent that nearly half the work force is female. Indeed, more than 50 per cent. is expected to be female in the year 2000, and many women are maintaining their jobs through parenthood.

The net result has been the undermining of the father as breadwinner, and it militates towards single-parent families, illegitimate births and divorce, all of which have an impact on the children of the nation. The trend for mothers of young children to work is growing. It is interesting to note that the proportion of working married women with children under five has risen from 27 per cent. in 1977 to 47 per cent. four years ago, according to the latest census. That has not happened through choice.

The social attitudes survey shows that 76 per cent. of mothers thought that they should stay at home full time with their children. The figure rose to 80 per cent. in lower-income groups. *[Interruption.]* The hon. Member for Peckham (Ms Harman) is shouting from a sedentary position, but the fact is that, unlike her, most women would prefer to stay at home and look after their children.

Ms Harman: How long are women to spend at home looking after their children? Are they supposed to stay at home until the children are 30, or perhaps 40? It is no good making a blanket statement to the effect that women must get out of the labour market for ever once they have children. Clearly, they must leave it temporarily, but how long does the hon. Gentleman have in mind?

Mr. Arnold: How long is precisely as long as those children need their mother properly to develop them. My worry is that the fact that if mothers do not stay at home, especially if they wish to, it damages the development of their children. As I said, the social attitudes survey shows that 76 per cent. of those mothers believe that they should stay at home, and the statistics increase to 80 per cent. in lower-income groups. The mothers know the impact on their children in terms of socialisation, nurturing and support.

The House should ask itself, why have those mothers done so? The answer is that real and perceived financial need have driven them to do so. Prices, especially housing costs, have increased to absorb two salaries; as the job market has changed, wages have adjusted to equality through lower unisex rates; and taxation policy has progressively removed the previous bias that favoured the family.

In recent years, taxation policy has changed savagely, withdrawing favoured status from married couples and causing a heavy impact on the family. That has come about in response to calls for fiscal simplicity and sexual equality. In recent years, we have split the taxation of the family. When a mother gives up paid work to care for her children, she forfeits not only her income, but her tax allowance, which is worth at least £880 to the family and is not transferable to the husband.

There has been a further impact on the married couple's allowance—which has been frozen, and therefore eroded in value, for the past four years—through the downbanding from standard rate to the 20 per cent. band last year and to the notional 15 per cent. band this year.

The benefit to families has been reduced from £430 a year ago to £258 this year—a loss to every family of £172. Further, if the married couple's allowance had kept up with inflation and had continued to be applied at the standard rate, it would be worth £200 more this year.

Mr. MacShane: I am genuinely interested in the line that the hon. Gentleman has pursued. Does he agree that, if we want to consolidate family life and, especially, give young children a good start, it would be helpful if we could enact parental leave provisions that would allow both parents to spend time with them, particularly with young babies, in the first six months, 12 months, 18 months or two years?

Mr. Arnold: Proposals such as that would be just as damaging as the minimum wage in wrecking the chances of families with young children of getting jobs. We should be bolstering the father in being the breadwinner, and structuring the tax system so that mothers can stay at home, as so many of them wish.

It is interesting to note that, for the average family with the mother caring full time for the children, the impact of the loss of her income and tax allowance benefit combined with the devaluing of the married couple's allowance and mortgage interest relief for families is a severe squeeze on family net income.

Tax and national insurance contributions for single persons on average income have declined from 31.5 per cent. in the last year of the Labour Government to 28.6 per cent. today, despite the increase in taxation in recent years. They have declined less for a married person, from 27.8 per cent. to 26.8 per cent., but the significant statistic is that the burden of taxation on married couples with two children under 11, assuming a non-earning wife and taking into account child benefit, has increased from 20.9 per cent. to 21.9 per cent.

A Conservative Government must pay attention to that. Our taxation policies have had an adverse impact on families, whereas the impact on single persons and married couples without families has improved. It is time that the Government took that very much on board.

The Treasury has benefited considerably from recent measures such as the reduction in the married couple's allowance. The married couple's allowance, as we recall, was introduced in 1991 with independent taxation, and it now applies to 10.5 million families. The Chancellor, by reducing that tax allowance from the 25 per cent. band to the 15 per cent. band this year, has made some considerable savings, and salt has been rubbed into the wounds of families by the impact of the so-called allowance restriction on personal tax coding, which draws attention to and emphasises the 15 per cent. band.

I wonder how many people realise that the gain for the Treasury and consequent loss for families has already increased to £2,090 million simply as a result of the downbanding, and that the impact since 1991-92 of not increasing the married couple's allowance for inflation has been a benefit for the Treasury at the expense of families, of a further £3 billion. The impact on families of the downbanding of mortgage interest relief at source has been that the Treasury has gained more than £1 billion at the expense of the family.

I hope, therefore, that, in preparing his Budget this autumn, the Chancellor of the Exchequer will produce a Budget for the family. I believe that he should restore the

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married couple's allowance to the standard rate band, which would cost the Treasury £2.4 billion. There should be no similar restoration of the additional person's allowance for single parents of children other than for those who are widowed, as that would be a disincentive for illegitimacy and for divorce.

A capacity should be introduced for non-working mothers with dependent children to transfer their basic allowance to their working husband. If that were to be done, there would be a major impact, worth £861 to the family, at a cost to the Treasury of £2.8 billion.

I believe that, in considering social and economic policies, we should consider the impact on the family. If the Government face up to those matters in the Budget in the autumn, not only will there be a significant effect on the employment market through releasing jobs currently carried out by mothers and making them available to less skilled males, which will have an economic benefit as a spin-off, but we shall reverse the tide that has worked against the family, to the detriment of the development and growth of our young people.

8.57 pm

Mr. Ken Purchase (Wolverhampton, North-East): Few of my constituents would recognise themselves in the picture that the hon. Member for Gravesham (Mr. Arnold) painted. In contrast to the smaller micro-economic analyses that have just been made, let me mention one or two global statistics.

Unemployment costs the nation between £20 billion and £30 billion per annum. The former Department of Employment's own figures clearly show the average cost of an unemployed person in terms of benefits and revenue and spending power forgone. That is the nature of what we face today.

It is all very well Conservative Members saying that unemployment has been falling for X months. Bearing in mind the way in which unemployment is measured, they cannot be accused of telling us anything that is not true, but, as other hon. Members have said, there have been so many changes in the way in which the employment statistics are collected in recent years that no proper comparison can now be made between when the Conservatives took office and the present day.

My hon. and learned Friend the Member for Leicester, West (Mr. Janner) said that the true comparison was between roughly 1,050,000 people in 1979 at the end of the Labour Government and 2.5 million now. We can accept with glad hearts and great pleasure the fact that some of our constituents have found work in recent months, but whatever Conservative Members tell us about unemployment falling, it does not alter the fact that the record of the Conservative Government on employment is abominable in every sense of the word.

As a result of the growth in unemployment, the social security system is less and less able to cope with the demands placed on it. Although the cost of social security in real terms has doubled, benefits paid are now worth less to the individual than in 1979. So we have had a doubling of the cost yet less support for people who are unemployed or otherwise unable to get into the labour market.

Other recent statistics show that one third of males aged 16 to 65, and therefore potentially economically active, are not in employment for one reason or another. It is no wonder that the social security budget is creaking at the seams. It is no use Conservative Members telling us that they intend to clamp down on scrounging. Opposition Members support that: we do not believe that people should be able to obtain by fraud, cheating or other methods benefits or anything else to which they are not properly and fully entitled.

Let me summarise a kind of framework. I talk of wealth, I talk of work and I talk of welfare—three Ws. Each one is a necessary step to the other, for without work—I mean real work that adds value—there can be no worth. Unless wealth is created, at a personal level or collectively, there can be no welfare. So we all know where we are starting from. We can now see in perspective what it means to have 2.5 million-plus people unemployed in this country. It means that the wealth-creating forces are diminished and that the wealth that would be created cannot be distributed in any way, never mind be kept in the wealth creator's pocket. It is lost and we cannot regain it. Conservative Members and, indeed, Opposition Members are concerned that money has been lost through strikes, illnesses and accidents at work, but now we have a deep self-inflicted wound.

For people who are in work, the quality of work has changed beyond recognition. At one end of the spectrum, it is certainly true that there has been massive enrichment of the few, but for the masses the quality of work has diminished. No longer can people with skills which they learnt perhaps in difficult circumstances necessarily transfer those skills to another job. The very technology that engineers, scientists and technicians have created has been used to dispossess those who have the skills of their rightful inheritance. It is paradoxical, but none the less that is the way in which technology has moved in the past 15 or 20 years.

The trade union rights that underpinned people's safety at work have been washed away over the years by legislation. Let me tell Conservative Members, and the world if it wants to listen, that where the economic system is dominated by the simple economics of supply and demand, when the demand for labour increases none of the changes that the Government have made will make a scrap of difference. The employees, the workers, the labour force will reclaim that which they think is theirs. The Government will have made no difference to the way in which the structural part of labour relations is played out in Britain. All that the Government will have done is to apply the cruel market forces of supply and demand, which simply mean that today employers can hold down wages simply by using the single economic tool of unemployment by frightening people that they might be out of work tomorrow. Tomorrow, when those people have jobs, the Government can be sure that their position will start to be redressed. The Government may understand it, but they will live to regret it if they do not.

Much remains to be done to restore a proper balance between unions and their members and employers and their organisations. Only when the scales are balanced and fairness prevails may we expect real progress.

Ministers claim that the number of employed people is rising, and to some extent that is borne out by the facts; but many of those jobs are part time and poorly paid. As for the minimum wage—

Mr. Peter L. Pike (Burnley): My hon. Friend is about to refer to the minimum wage. Does not low pay equal poor health, poor housing, poor social conditions and poor educational opportunities?

Mr. Purchase: My hon. Friend makes an excellent point, with which I shall deal in a moment.

The Conservative party has no right to press Labour to say what the minimum wage should or will be, when it will not say what its minimum wage is. When we ask, "What is the least for which anyone should work?", you have not a word to say. Is it 50p an hour? Is it £1 an hour?

Mr. Deputy Speaker (Sir Geoffrey Lofthouse): Order. The hon. Gentleman must stop blaming the Chair.

Mr. Purchase: I seem not to learn these simple lessons, Mr. Deputy Speaker. I apologise profusely—but, as you know, I am somewhat excitable about matters such as this.

It is incumbent on Conservative Members to tell us the amount for which they believe that people should work. If that amount is nothing, they should say so; if it is 50p an hour, they should tell us that it is 50p an hour. I suspect, however, that they know nothing of these matters, and that they therefore will not rise to the bait.

Wealth should be a function of work, adding real value to the goods and services that are provided. In that context, Britain once had a strong economy: we made things, exported things, ensured that the quality of the goods was first class and traded with the world. We held our own. It was not until the Conservatives implemented their policies of the late 1950s that we saw balance of payments problems that the country had not hitherto experienced in peacetime; even then, the Conservatives had begun to forget that, as an island economy—notwithstanding our wider role in Europe and, indeed, the world—we must import certain goods, apply our skills, initiative, innovation and invention and then export those goods at a price greater than that which we originally paid.

That put our balance of payments into perspective, and we got it right: we were paying our way. In 1964, however, a Labour Government inherited a balance of payments deficit of some £400 million. That does not sound a lot, but I think that it would amount to a considerable sum in modern-day money—an amount approximating to the balance of payments problems that we experienced throughout the late 1980s, which were resolved only through the sale of the family silver.

Making money has now become the way in which so-called wealth is created; but it is not real wealth. It is imaginary wealth, because it has no strength or material value. What do I mean by that? Let me give my answer in three ways. At a local level, while small firms struggle to win orders and to fulfil them on the basis of delivery dates, quality and price, thieves and burglars are ripping off the rest of society. In every street in every town, many people are involved in petty thieving of one sort of another, taking away the value that is created by people who go to work. Nationally, white-collar crime is rising inexorably. Scams are reported day and night in our local and national newspapers. At board room level, directors over-reward themselves in an immoral way. People are sitting on each other's remuneration committees, determining who will get what. *[Interruption.]*

Mr. Purchase: I beg your pardon?

Mr. Pike: People are ripping off pension funds.

Mr. Purchase: Indeed—speak a little louder.

We now know that many pension fund managers are paid on a results basis and are turning over shares, adding to our short-term financial problems just to line their own pockets. Pensioners are often the losers in such matters. Massive pension fund scams have taken place—not least the Maxwell disgrace, with all that that has meant—as a result of which people have tried to make changes, but without much success.

Currency speculators do not care what their activities will do to a nation state. It is simply a matter of pressing buttons—again using the technology created by scientists, engineers and technicians in this country and elsewhere. Their tools are being used against them. Speculators are turning their countries inside out at the press of a button. It is paradoxical. At the same time, they speculate internationally in shares, without a care for whether the company that they speculating for or against will go down the tube, and whether men and women will become unemployed. That is a "make money" society; it is not the "earn" society that Labour Members want to create. It is not about the spivs in the City of London.

On high and low pay, if what Conservative Members were saying about minimum and low pay were true, it is certain that Calcutta and the sweat shops would be a paradise, and that the City of London would be a desert, but we know that the opposite is true because these people speculate and exploit everywhere they go. Respect no longer exists for working men and women who create real wealth in this country. Some people think that large-scale international spivvery should be rewarded. That is not right.

Under the Tory Government, for the first time this century, we have seen the steady—at times almost imperceptible—reversal of the way in which income is distributed in favour of people who have the least. For the first time in a century, that worthy civilised trend has been reversed under this Government.

What does it mean? With so many people out of work, with the social security system under so much pressure, the ideals of Beveridge—for the welfare state to act as a safety net, but always recognising that we would have a society that depended on full employment, however that was defined—are creaking under the strain. The rich are getting very rich and the poor are getting very poor—such is the society that has been created in Britain today.

The value of benefits has diminished but their total cost has doubled since 1979. What has been the result of the benefits culture? In many cases, people, especially the young, have lost any understanding of the connections between work, wealth and welfare. They believe that, broadly speaking, wealth and welfare drop on the mat in the form of a giro cheque. You have robbed them of their dignity, of their right to work—

Mr. Andrew Mackinlay (Thurrock): The Tories have.

Mr. Purchase: The Conservatives have robbed them. I am sorry, Mr. Deputy Speaker. I know that you are too kind a man to do that.

The Conservatives have robbed those people of their dignity and of their understanding of the connections, which are so important for a civilised life in which we can both give and take when that is necessary. Young

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people have borne, and will continue to bear, the brunt of the Government's policies. Inequality is growing every day and it is reaching obscene levels. An elderly woman with disabilities came to my surgery on Saturday. She wants and needs to move from her present council flat to a ground-floor flat. The council are willing to relocate her, but it cannot afford to pay the costs of her furniture removal. She went to social security as she is on income support and was advised that she would have to apply for a loan in order to pay her removal costs.

That woman worked for most of her life and her husband paid into pension schemes all his working life. Now, at 70, she is reduced to having to apply for a loan to move house on account of her disabilities. Is that the society that the Conservatives laud in their amendment? They should disown it without further delay because that inequality is unacceptable in a civilised world.

From time to time I like to compare levels of inequality in this country. One could compare the woman to whom I referred with the Queen, the richest woman in the world, who is so rich that she does not know how much money she has.

In the world created by the Conservatives drug dealers earn more money than centre-lathe operators, theft is more valued than earning a living and gambling has been elevated to a grand scale by the national lottery. People now think that their only hope of escape is a win on the lottery—whether it is £1,000 or the figure offered last weekend. Gambling has been institutionalised and the state has become a bookmaker.

My town has an awful reputation for prostitution. Wolverhampton apparently has more prostitutes per capita than any other town in England. Young girls as young as 11 are known to ply their trade in my town. The House condemns sex tourism, but we have it on our doorstep courtesy of a Conservative Government. I could describe the Government—if it is not unparliamentary, Mr. Deputy Speaker—as a state pimp because of the policies that they have introduced and the way in which they have allowed society to rot from the roots up. I do not believe that that is too strong a description of the Conservative Government.

9.17 pm

Mrs. Teresa Gorman (Billericay): I have been allocated the princely total of three minutes in which to devastate the House with the erudition of my remarks.

I entirely support the remarks of my right hon. Friend the Secretary of State, who opened the debate. I believe that he is determined to use taxpayers' money to provide incentives to get people into work rather than use it to pay people for not working. I commend him for that approach.

I am worried, however, when I see the scale and the range of incentives. Every incentive, such as the jobseeker's allowance, back-to-work bonus and all sorts of other benefits to top up earnings, comes out of the taxpayers' pockets and taxpayers on low wages will be less motivated to work to build up their family fortunes. Therefore, I suggest that perhaps it would be better to examine family incomes as a whole and not rise to the Labour party's bait.

Labour Members keep grinding on about the necessity of introducing minimum wage laws. I do not wish to rehearse the sensible arguments advanced by Conservative Members about why minimum wage laws are a bad idea. It has been mentioned several times that President Clinton is in favour of minimum wage laws. I am not surprised about that because President Clinton is a socialist by our standards. Of course President Clinton commends the concept, but in the United States of America—which has had minimum wage laws for many years—unemployment among unskilled and minority groups in particular has persistently increased relative to employment. Minimum wage laws have removed from employers the cost of their discrimination. If an employer must pay a certain wage regardless, he will tend—for whatever prejudiced reason he may have—to choose the most attractive candidate. Minimum wages always discriminate against the people that Opposition Members wish to help.

I invite my right hon. Friend the Secretary of State for Social Security to explore other areas of job creation, particularly those associated with home and family work. Recently, the French have created many new jobs for young and unskilled people in homes whose family members go out to work. In France, if one needs someone to help with domestic duties—such as looking after an elderly relative or small children—one can offset the cost against the family's gross income.

Wages within the family should also be considered. There should be less pressure for every job to achieve a minimum wage starting point. In many households, one wage supplements another. If a woman is prepared to take a part-time job at a relatively low wage—perhaps because it is unskilled—to supplement her family income, that is as valid a reason for working as that of the family's top wage earner. Considering family income as a whole will bring some sanity to our attitudes to wages.

9.21 pm

Ms Harriet Harman (Peckham): This debate has shown that despite all the drama surrounding the Tory leadership election, nothing has changed. The stark divide between this side of the House and the Government remains. The Tories have brought unemployment, division and insecurity—and they have produced no policies today that will change that. Labour believes that the task of government is to modernise our economy and to build our community. Britain needs new policies for economic success and social renewal.

We need nothing less than a skills revolution, to put our businesses and economy at the front line of economic competitiveness, and to help people to get work and get on in their jobs. However, when the Secretary of State for Education and Employment was Secretary of State for Employment, she cut training. We need an attack on the national scandal of poverty pay. While privatised utility bosses award themselves huge pay increases, millions of men and women at work struggle in the twilight world of low pay. When the right hon. Lady was Secretary of State for Employment, she abolished the low pay protection of wages councils. Again today, the Tories have rejected a national minimum wage.

We need a comprehensive strategy to tackle unemployment, take people off benefit and put them to work—in particular, to end the menace of people being trapped on the dole for years. Again in today's debate, the Tories boasted that unemployment is a problem solved, and they plan instead to cut benefits to the unemployed.

We need to make people at work feel more secure. House prices fall because no one can plan ahead. High street shops struggle because people do not want to spend. The Tories tell us that a fearful and insecure work force is a good thing. People throughout the country know what is needed—but we have Tory failure and no change in policies that have failed.

The Prime Minister has been re-elected leader of his party—just, and Cabinet posts have changed hands. What has changed in the real world in Britain today? What has changed for the unemployed? Nothing. Still the Government deny that unemployment is a problem; still they refuse to take action to take people off the dole and put them into work; still they cut the benefit bill, not by putting people into work but by cutting the amount of benefit that people have to live on. There are cuts in unemployment benefit—from 12 months to six months; and cuts in help with mortgage payments for the unemployed. But the problem of unemployment remains—as my hon. Friend the Member for Wolverhampton, North-East (Mr. Purchase) put it, people of working age are not at work.

What has changed for the young black unemployed man in London? Still, 60 per cent. of young black men under the age of 24 are without a job. What has changed for the people of Manchester? My right hon. Friend the Member for Manchester, Gorton (Mr. Kaufman) told us movingly about the problems of unemployment that remain in his constituency. The Government would simply sweep them aside and pretend that they do not exist.

Unemployment is scarring our communities. As my hon. Friend the Member for Rotherham (Mr. MacShane) said, one in six men in Rotherham is out of work. Unemployment is scarring communities in every region of Scotland and Wales—and still the Conservative Government reject commonsense proposals for immediate action to put people back to work. I refer to the release of council house receipts to enable councils to start building again, an environmental task force to provide work and improve environmental standards, and a tax relief of £75 as an incentive to employers to take on people who have been unemployed for more than two years. The Government reject all these proposals, claiming that unemployment is not a problem.

Unemployment is a problem, however, not just for the unemployed but for those in work, because it is one of the major reasons why people in work feel insecure. What has changed for them? Nothing. Will people feel more secure in their jobs when they read in the newspapers that "Tarzan's in charge"? I do not think so. Will house prices rise now that the Department of Employment has been abolished? I do not think so. There is an epidemic of insecurity at work which has swept from the private sector through to the public sector, from manual workers through to management. There are too many people who fear that each pay packet may be their last.

People have no long-term confidence in their employment. But to buy a house or even a car they have to make a long-term commitment: 25 years for a mortgage, five years for a loan on a new car or three for a loan on a second-hand car. Yet today one fifth of employees are out of their jobs within a year. More and more jobs are on temporary contracts. Negative equity traps people in their homes and makes them nervous about spending. They are afraid to move or to take risks—afraid to plan for the future. No wonder house prices have fallen in real terms by 30 per cent. in the past six years. Just because the Prime Minister is temporarily more secure in his job does not mean that other people are more secure in theirs out in the real world.

People know that the only way they will feel secure is if the economy is growing strongly—not boom and bust. They know that they need a fair framework of rights at work, including the right to join a union. And they need the right education and skills.

The new First Secretary of State and Deputy Prime Minister and the Secretary of State for Education and Employment have been touring television and radio studios saying that the abolition of the Department of Employment shows that training and skills are now to be the Government's top priority. I challenge the right hon. Lady: is she making training a priority, or will she simply implement the training cuts that are set to run for the next three years? Already cuts in training are under way for this year, next year, and the year after. The training budget is to be cut by 12 per cent. in real terms over the next three years. Will she stop those cuts or will she implement them? Training for Work, the main adult training programme for the unemployed, is to be cut this year, next year and the year after. Will the right hon. Lady stop that or implement it?

We have no doubt that the cuts will be implemented. When the right hon. Lady was Secretary of State for Employment she chopped back the Department's training budget by £100 million over three years. The promises that the right hon. Lady will make tonight are already broken. The people know that the Tories are the Government of broken promises. They are the Government that we cannot trust. They promise to make training a priority but they cut it back to the bone.

When the right hon. Lady was Secretary of State for Employment she did nothing to provide training to those in work who need it most, the low paid with no skills. Let there be no mistake about it, this is a public policy issue. Today's worker without skills is tomorrow's long-term unemployed. The Tories reject our proposals that would ensure that all employers would invest in the training and development of their employees.

What has changed with low pay? The answer is that it has become worse. People know that our society is riven with unfairness, division and inequality. There is excessively high pay at the top and excessively low pay at the bottom. It makes for a divided society and an inefficient economy.

Mr. Pike: Is it not a fact that the low paid who are on family credit can be hit to the extent that for every pound that they receive at a certain stage they may benefit by only 3p? Is it not time that the Government did something to help those people?

Ms Harman: That is right. Those who are trapped in low pay and depend on benefits find that they are no better off if they earn more because of the pound-for-pound withdrawal of benefit. The low paid who are trapped in poverty and dependency cannot escape. That is why we must have a national minimum wage. The gap between top executives and their employees is twice as wide in the United Kingdom as it is in Japan. Cedric Brown has become famous for his huge pay increase while millions of our fellow citizens work all hours yet still struggle to make ends meet.

[Ms Harman]

These are the figures. Over 1 million—

Mr. Duncan: Will the hon. Lady give way?

Ms Harman: I shall give way to the hon. Gentleman if he will say whether he is prepared to justify 300,000 people earning less than £1.50 an hour. Does he think that that is acceptable? Will he justify pay of £1.50 an hour?

Mr. Duncan: I do not like the fact that many people are earning only that amount, but to tax the rich and introduce a minimum wage would not solve the problem. The hon. Lady was in her place when I talked about a minimum wage. Does she accept that if a minimum wage were set at below the level that an employer was prepared to pay it would be an irrelevance? Does she agree also that if it were set above that level it would undoubtedly have a detrimental effect on employment? Will she answer those questions and tell us at what level in today's circumstances she and her party would set a minimum wage?

Ms Harman: The hon. Gentleman says that he does not like people earning less than £1.50 or £2.50 an hour. The Government, however, have resolutely set their face against doing anything to increase such rates of pay. Far from that, they have removed protection that would have prevented people earning lower and lower rates of pay. I shall come to the hon. Gentleman's argument about the level of a minimum wage later.

Who on the Government Benches will justify pay of £1.50 an hour? Is it the Tory economic miracle after 17 years to threaten people with pay of £1.50 an hour or no job? We are not faced with an accident.

Mr. Jacques Arnold: Answer the question.

Ms Harman: I shall respond to it later.

It is not that the Government do not know what to do about low pay. It is not merely that the Government do not care about low pay. Low pay is not the consequence of Government incompetence or even Government neglect. It is a central part of their strategy of low pay, deregulation, insecurity, competition by means of even lower pay, cutting costs and a fearful work force. Under the Government low pay is not only a national scandal but an instrument of Government economic policy.

The Government are not trying to prevent low pay. They are in favour of it. The Secretary of State for Education and Employment, when she was Employment Secretary, abolished the wages council. She stripped away low-pay protection from 2.5 million workers. The Government are now asking the unemployed, before they can get their benefit, before they can get the jobseeker's allowance:

"What is the lowest wage you are willing to work for?"

They are using the unemployed to drive down wages still further.

But the British people reject the cruelty and the unfairness of low pay and they reject the Tory strategy of competing on low pay. Our determination to act on low pay is founded on our belief that the Government have a responsibility to reduce divisions, and that economic success for this country can be achieved only by being a high-skill, high-tech, high-investment economy.

We believe that low pay is a problem for the low-paid. It is also a problem for the taxpayer and for our society as a whole. It is a problem for the low-paid who struggle to make ends meet, who are trapped in benefit dependency and who work longer and longer hours. Low pay is a problem, too, for the public purse, because when employers do not pay proper wages, the taxpayer has to pick up the bill for housing benefit, council tax benefit, income support and family credit. In the past four years, the cost of those benefits for people in work has doubled and it now stands at £2.4 billion—£100 a year for every taxpayer to subsidise low pay. Are the Government going to justify that? Top-up benefits should be precisely that, not a subsidy for employers. That point was made forcibly by the hon. Member for Stratford-on-Avon (Mr. Howarth).

We believe that low pay is a problem that demands Government action, and we will take action.

The Tories will not take on the arguments—

Mr. Duncan *rose—*

Ms Harman: The Tories will not take head on the arguments about the minimum wage, so they say that if we have a minimum wage people would be concerned about losing their jobs. It is true that people are concerned about losing their jobs.

Mr. Duncan: What rate?

Ms Harman: I will get to that point in my speech, if the hon. Gentleman will give me a break.

It is true that people are concerned about losing their job—15 years of Tory rule have certainly made sure of that—but a minimum wage, where it is sensibly introduced, does not cost jobs and we shall introduce it sensibly. *[Interruption.]* Around the world there are many different examples of different methods of minimum wage fixing, but they all have—*[Interruption.]* Conservative Members are not listening. They have asked all afternoon what our approach is to the minimum wage. I am about to tell them if they will just keep quiet. *[Interruption.]*

All around the world, many different methods are used by different countries to fix a minimum wage *[Interruption.]*

Madam Speaker: Order. I will have no more barracking from sedentary positions. The hon. Member for Rutland and Melton (Mr. Duncan) has asked his question. He might now listen. *[Interruption.]* Order.

Ms Harman: All around the world, there are difficult examples of how different countries, with Governments of the left and of the right, fix a minimum wage, and they all have one thing in common: they involve both sides of industry—employers and unions *[Interruption.]*

Madam Speaker: Order. [HON. MEMBERS: "Name him."] I am tempted to name him. I have warned the hon. Gentleman. Another murmur from the hon. Gentleman and he will be named.

Ms Harman: Thank you, Madam Speaker.

Those countries all have one thing in common: they involve both sides of industry—employers and unions—in coming together to agree the level for the minimum wage, and that is the approach that we shall take in Government. I have consulted many employers in manufacturing and services about the methods for

implementing low-pay protection. We shall carry on doing just that in Government. We will establish a low-pay commission to recommend the level of the minimum wage, just as the wages councils did.

Employers and unions in consultation—that is what business is asking us to do to fix the minimum wage. We will not listen to the Tories; we will listen to employers and unions. There will be consultation involving both sides of industry, which is what they do in other countries. That is what happened in this country with the wages councils, that is what Winston Churchill did and that is what we will do in government.

The Conservative concerns about job losses are crocodile tears; they are bogus. When we introduced the Equal Pay Act 1970, women's pay was increased by law, and employers and Conservatives said that it would cost women's jobs and drive them back to the home. It did not happen. When the Secretary of State abolished the wages councils, she said that ending low pay protection would involve an increase in jobs. It did not happen. Pay went down and jobs in the wages councils sectors were lost. Now we have the worst of all words: low pay and no new jobs.

There is no evidence from this country or from anywhere in the world that low pay protection, when sensibly introduced, costs jobs. In all other developed countries, a floor under wages is a matter of consensus between parties on the right and parties on the left. Everywhere else, it is normal and is regarded as a necessary minimum standard. The Government have failed to recognise the important role for Government in a changing labour market. They do not understand that Government should make people feel partners in change, not victims of it. They do not understand that the role of the Government is to help people combine work and family responsibilities. They do not understand that it is the role of Government to ensure that there is a skilled and confident work force.

The Tory policies have failed and the British people know it; that is why they do not trust the Tories. The Deputy Prime Minister is going round the television studios talking about a new start. If he went round the country and talked to people, he would realise that the British people do not trust this Government. The only new start they want is a new Government for this country.

9.41 pm

The Secretary of State for Education and Employment (Mrs. Gillian Shephard): The debate has been long. It must have been a disappointing one for the Opposition because it is, after all, their Supply day. For there to have been only two or three Labour Back Benchers in the Chamber for long stretches is obviously a scandal and a disgrace. It is better to pass a veil altogether over the attendance of the Liberal Democrats, who were not in their place for many hours.

The debate was opened in an elegant, even donnish, way by the hon. Member for Glasgow, Garscadden (Mr. Dewar). However, no amount of elegance or donnish charm could disguise the fact that he was circling round the vacuum that is Labour policy. He said nothing whatsoever.

I should not fail to mention the quite extraordinary contribution by the hon. and learned Member for Leicester, West (Mr. Janner). Not only did he treat the House to a dazzling display of "Where's the ball?", but he signally failed to convince the House of his altruistic concern about the merger of the Department for Education and the Department of Employment. I remind him that "vanish" is an intransitive verb. We should, perhaps, forgive the hon. and learned Gentleman. It is not only his birthday tomorrow, but it was his 40th wedding anniversary last week, as he announced to an astonished House last Thursday. In my later remarks, I shall aim to dispel his wilder fantasies and anxieties.

My hon. Friends the Members for Romford (Sir M. Neubert), for Stratford-on-Avon (Mr. Howarth), for Surrey, East (Mr. Ainsworth), for Rutland and Melton (Mr. Duncan), for Gravesham (Mr. Arnold) and for Billericay (Mrs. Gorman) made extremely valuable contributions to the debate, reminding the House not only of the need to be realistic about the problems that we face, but of the welcome fact that unemployment has fallen for 21 consecutive months and that we have a higher proportion of people of working age in work than the European average. They reminded us that a minimum wage would destroy enterprise and would cost jobs. Since the Labour party is unable to define the level of a minimum wage, what they say on the matter is so much hot air. My hon. Friends also reminded us of the opportunities and—very importantly—the current context.

Mr. Duncan: Did my right hon. Friend hear what I heard and what I believe the *Official Report* will confirm? Did not the hon. Member for Peckham (Ms Harman) promise—I think that is the right word—to give us the level at which she would set a minimum wage? Did she not break that promise within five minutes by refusing to do so? Will my right hon. Friend now invite the hon. Lady to give that number, without which the Opposition's policy is worth nothing?

Mrs. Shephard: Whether or not the hon. Lady made such a promise, she certainly did not give a number. Without a number, all talk of a minimum wage is so much hot air. It is clearly the intention of the Labour party to introduce a minimum wage, but as it knows that such a minimum wage would destroy enterprise and cut jobs, it does not dare to set a figure.

We heard much in the debate about poverty and job security. That is as it should be. Those are important issues and it is right that they should be debated. We heard a good deal less from Opposition Members about the context and about the nature of the world as it is now. We have a global economy that is fast moving and competitive, and we heard little from the Opposition about how the country is to thrive and prosper in those circumstances.

Predictably, we heard nothing whatsoever from Opposition Members about how jobs and security can be created. All we had from Opposition Members was a refusal to look at the world as it now is and a deep reluctance to face the reality of change or to master that change. As we approach a new century and a new millennium, we must look forward and prepare positively for the challenges that those will bring. There is no place for those who look only backwards, or for people whose hearts are in the Ministry of Labour that was founded in the 1890s and not in the Department for Education and Employment that has been founded in the 1990s.

The world is changing fast, and change engenders uncertainty and concern. That is not unique to this country. Right across the developed world, people feel

[Mrs. Shephard]

insecure about jobs and threatened by new technology and by the opening up of markets, as tariff barriers disappear. I understand those fears, but technology change is here and will not go away, and nor will changing patterns of world trade. When GATT was formed, tariffs averaged 40 per cent. They are now down to 3 per cent. Britain is a part of the world marketplace and there are formidable competitors in that marketplace.

Mr. MacShane: May I invite the Secretary of State to throw away the script from which she is carefully reading and tell us what she thinks without the aid of a scripted speech?

Mrs. Shephard: Dear me—what an insightful contribution from the hon. Gentleman. I wish that the hon. Gentleman could have seen the faces of his colleagues as he ground on and on earlier in a speech full of carefully composed quotations. The hon. Gentleman might like to listen carefully as I proceed.

What is new and will increasingly face us in the next century is competition from low-wage economies whose peoples are as well-educated and as highly motivated as our own. Those economies are developing rapidly in south-east Asia, south America, eastern Europe and Africa. That is a challenge that young people who are now in our schools and universities will face when they leave formal education and start to earn a living. It is our challenge too, because it is our task to equip our young people when they leave formal education not just with the knowledge and skills that they need to survive, but with the attitude of mind to grasp the opportunities that they will be offered to enable them to thrive and prosper.

There is one way and one way only to guarantee job security and the benefits, whether material or otherwise, that come with it. That is to create enterprises in Britain which can take on the best competition in the world and beat it. To achieve that, people who work in those firms must have the skills and knowledge to do so. In tomorrow's world, with which we are concerned, industrial and commercial success will be based on knowledge, design and innovation.

We are steadily shaking off the legacy of the 1970s. We now have one of the best industrial relations records in the world. Productivity growth is as good, or better, than anywhere in Europe and inflation is once again under control and down to levels last seen more than 30 years ago.

Of course I accept that insecurity over jobs is a real factor. That is why the Department provides more than 1.5 million employment and training opportunities to help unemployed people get the new jobs that they want. The Employment Service plays a vital role, working with training and enterprise councils, to provide jobs and training. More than 200,000 new vacancies are being notified to job centres every month and unemployed people are getting those jobs. Britain now has fewer people claiming unemployment benefit than any other major country in Europe. More of our adult population have jobs than in any other major European country.

We have also made progress in education. The knowledge and skills of those joining the work force for the first time are improving. Less than a quarter of our young people got five good GCSEs 15 years ago, now it is over 40 per cent. The number of young people gaining two GCE A-levels has doubled to 28 per cent. since 1979. Britain now graduates more of its young people than just about any country in Europe. That is a record of achievement and of consistent improvement, and a solid base on which to build Britain's skills. There remains a lot to do, but the framework is in place and the improvements are there and are measurable.

Much has been said tonight about division and I accept that there has been a divide in this country—a divide between the academic and the vocational. It is a false divide. That is why the new Department for Education and Employment has been so widely welcomed—

Mr. Kevin Barron (Rother Valley): By whom?

Mrs. Shephard: I will tell the hon. Gentleman. The Association of Metropolitan Authorities, for example, strongly welcomed and supported the merger, which has been its policy for many years. It has been welcomed by the Secondary Heads Association, which said,

"We welcome the merger and have argued for it in the past. There is a need for coherent linking of provision for post-16s."

The Professional Association of Teachers said:

"This is very good news. PAT has been suggesting it for some time. Education and training need to be considered as a whole."

The National Union of Teachers welcomed it, saying:

"Bringing education and training together should serve to promote vocational education and the development of lifelong learning."

The National Commission on Education welcomed it, as did the Institute of Directors, which said that it is

"a sensible rationalisation, drawing together policies for education and training."

The Confederation of British Industry has welcomed it. Howard Davies said:

"The CBI welcomes the changes announced today by the Government. We have long argued that responsibilities for these two vital areas should be brought closer together. The proposed structure will help to provide a clearer focus and more coherent policy formation."

It welcomes it because it can see the opportunities that it will bring. It sees that in our schools—*[Interruption.]*

Madam Speaker: Order. While one can have no objection to hon. Members having conversations, they must be quiet. It is very noisy indeed on both sides of the House and I ask for a little less noise.

Mrs. Shephard: Those bodies can see that there will be positive benefits and new opportunities in our schools. Schools need industry and employers increasingly play an important role, giving teaching materials, supporting events and providing motivation on careers, particularly to young people who may need just that motivation and who find school days irksome. Employers can see that, as young people from the age of 14 onwards start to make those choices, helped by the invigorated careers service, they will be better informed if careers advisers, teachers and employers work more closely together. They can see that more and more young people are staying on at school after 16. Over 90 per cent. now stay on compared with less than one in three in 1979. They know that young people face a bewildering range of options—academic or vocational—which we can tackle with no turf wars through the new Department. They can see that we can better co-ordinate key policies to drive up skill levels and promote business success.

We can encourage closer links between education and the business world. We can promote greater coherence between academic and vocational qualifications. We can encourage even closer relationships between further education and TECs.

Mr. Mackinlay: What young people want to hear from the right hon. Lady tonight is how they can get jobs that are appropriate to their skills and aptitudes when they leave college or university. Does she not acknowledge that thousands of young people leaving college and university face skivvy jobs or jobs that are totally inappropriate to the expensive training and education that the state has provided, which will provide them with no job satisfaction? What will she do to provide real jobs for skilled people who have a great deal to contribute?

Mrs. Shephard: As this is an Opposition Supply day, I had hoped for a few ideas from the Opposition, but they have not been forthcoming. The hon. Member for Thurrock (Mr. Mackinlay) obviously has not noticed that unemployment has been falling for the past 21 months and that graduate unemployment has also been falling. I remind him of that and point out that it means a number of things. It means that the Government's labour market reforms are working; that the best help for unemployed and employed people is the sound and stable economic policies that we are pursuing; and that the Employment Service has done a magnificent job in placing unemployed people back into work. All those facts should be obvious to the hon. Gentleman, as should the nonsense of his party's policy of a minimum wage, which would destroy enterprise and jobs.

I was describing the benefits that will flow from the merger of the Department for Education and the Department of Employment. It is only the Labour party, linked as always with its old friends in the TUC, that cannot see those benefits. It is locked in the past and condemned by its knee-jerk reaction to oppose any change. Only Labour Members fail to see that this country's future lies with a skilled and well-educated work force.

The hon. Member for Peckham may be in touch with the TUC but she is out of touch with opinion in industry and the teaching profession.

Ms Harman: Will the right hon. Lady give way?

Mrs. Shephard: No, I have only two minutes left.

Who will speak for the Labour party on those matters in future? We wait to see. On tonight's showing, it is unlikely to be the hon. Member for Peckham, who arrived with her indignation prepared in advance. Unfortunately, she arrived without the answers. Yet again, she has proved herself incapable of answering the simplest of questions about Labour's intentions. She cannot answer the basic question: what would be the level of a minimum wage? May I give the hon. Lady a friendly warning? She may be wise to avoid making a commitment on that matter because if the experiences of her unfortunate colleague, the hon. Member for Sheffield, Brightside (Mr. Blunkett), are anything to go by, it normally suffices for an Opposition spokesman to make a policy statement for it to be countermanded by Labour high command, sometimes within months, sometimes within weeks, and once within two hours. How sad it is that the House has been subjected to the sort of imprecision and vacillation to which, alas, I became all too accustomed in respect of education. The interests of children in schools, students in our colleges and universities—

Mr. Gordon McMaster (Paisley, South) *rose in his place and claimed to move,* That the Question be now put.

Question, That the Question be now put, *put and agreed to.*

Question put accordingly, That the original words stand part of the Question:—

The House divided: Ayes 230, Noes 299.

Division No. 200] **[10.00 pm**

AYES

Abbott, Ms Diane
Adams, Mrs Irene
Ainsworth, Robert *(Cov'try NE)*
Allen, Graham
Alton, David
Anderson, Donald *(Swansea E)*
Armstrong, Hilary
Ashdown, Rt Hon Paddy
Ashton, Joe
Austin-Walker, John
Banks, Tony *(Newham NW)*
Barnes, Harry
Barron, Kevin
Bayley, Hugh
Beith, Rt Hon A J
Benn, Rt Hon Tony
Bennett, Andrew F
Benton, Joe
Bermingham, Gerald
Berry, Roger
Betts, Clive
Blunkett, David
Boateng, Paul
Bray, Dr Jeremy
Brown, Gordon *(Dunfermline E)*
Bruce, Malcolm *(Gordon)*
Byers, Stephen
Cabom, Richard
Callaghan, Jim
Campbell, Mrs Anne *(C'bridge)*
Campbell, Menzies *(Fife NE)*
Campbell, Ronnie *(Blyth V)*
Campbell-Savours, D N
Cann, Jamie
Chidgey, David
Chisholm, Malcolm
Church, Judith
Clapham, Michael
Clark, Dr David *(South Shields)*
Clarke, Eric *(Midlothian)*
Clarke, Tom *(Monklands W)*
Clelland, David
Clwyd, Mrs Ann
Cohen, Harry
Connarty, Michael
Cook, Frank *(Stockton N)*
Corbett, Robin
Corbyn, Jeremy
Corston, Jean
Cousins, Jim
Cox, Tom
Cunliffe, Lawrence
Cunningham, Jim *(Covy SE)*
Dalyell, Tam
Darling, Alistair
Davidson, Ian
Davies, Bryan *(Oldham C'tral)*
Davies, Rt Hon Denzil *(Llanelli)*
Davis, Terry *(B'ham, H'dge Hl)*
Dewar, Donald
Dixon, Don
Dobson, Frank
Donohoe, Brian H
Dowd, Jim
Dunwoody, Mrs Gwyneth
Eagle, Ms Angela
Eastham, Ken
Etherington, Bill
Evans, John *(St Helens N)*
Ewing, Mrs Margaret
Fatchett, Derek
Faulds, Andrew
Fisher, Mark
Flynn, Paul
Foster, Rt Hon Derek
Fraser, John
Fyfe, Maria
Galloway, George
Gapes, Mike
Garrett, John
George, Bruce
Gerrard, Neil
Gilbert, Rt Hon Dr John
Godman, Dr Norman A
Godsiff, Roger
Golding, Mrs Llin
Gordon, Mildred
Graham, Thomas
Grant, Bernie *(Tottenham)*
Griffiths, Nigel *(Edinburgh S)*
Grocott, Bruce
Hall, Mike
Hanson, David
Harman, Ms Harriet
Harvey, Nick
Hattersley, Rt Hon Roy
Henderson, Doug
Heppell, John
Hill, Keith *(Streatham)*
Hinchliffe, David
Hodge, Margaret
Hoey, Kate
Hogg, Norman *(Cumbernauld)*
Home Robertson, John
Hood, Jimmy
Hoon, Geoffrey
Howells, Dr. Kim *(Pontypridd)*
Hoyle, Doug
Hughes, Robert *(Aberdeen N)*
Hughes, Roy *(Newport E)*
Hughes, Simon *(Southwark)*
Hutton, John
Illsley, Eric
Ingram, Adam
Jackson, Glenda *(H'stead)*
Jackson, Helen *(Sheffld, H)*
Jamieson, David
Janner, Greville

Jones, Barry *(Alyn and D'side)*
Jones, Jon Owen *(Cardiff C)*
Jones, Lynne *(B'ham S O)*
Jones, Martyn *(Clwyd, SW)*
Kaufman, Rt Hon Gerald
Keen, Alan
Kennedy, Charles *(Ross,C&S)*
Kennedy, Jane *(L'pool Br'dg'n)*
Khabra, Piara S
Kilfoyle, Peter
Kirkwood, Archy
Lestor, Joan *(Eccles)*
Lewis, Terry
Liddell, Mrs Helen
Litherland, Robert
Livingstone, Ken
Lloyd, Tony *(Stratford)*
Lynne, Ms Liz
McAllion, John
McAvoy, Thomas
Macdonald, Calum
McFall, John
McKelvey, William
Mackinlay, Andrew
McLeish, Henry
McMaster, Gordon
MacShane, Denis
McWilliam, John
Madden, Max
Maddock, Diana
Mahon, Alice
Marek, Dr John
Marshall, David *(Shettleston)*
Marshall, Jim *(Leicester, S)*
Martin, Michael J *(Springburn)*
Martlew, Eric
Maxton, John
Meacher, Michael
Meale, Alan
Michael, Alun
Michie, Bill *(Sheffield Heeley)*
Michie, Mrs Ray *(Argyll & Bute)*
Milburn, Alan
Miller, Andrew
Mitchell, Austin *(Gt Grimsby)*
Morris, Rt Hon Alfred *(Wy'nshawe)*
Morris, Estelle *(B'ham Yardley)*
Morris, Rt Hon John *(Aberavon)*
Mowlam, Marjorie
Mudie, George
Mullin, Chris
Murphy, Paul
Oakes, Rt Hon Gordon
O'Brien, William *(Normanton)*
O'Hara, Edward
Oliner, Bill
O'Neill, Martin
Orme, Rt Hon Stanley
Parry, Robert
Pearson, Ian
Pendry, Tom
Pike, Peter L
Powell, Ray *(Ogmore)*
Prentice, Bridget *(Lew'm E)*
Prentice, Gordon *(Pendle)*
Purchase, Ken
Quin, Ms Joyce
Radice, Giles
Randall, Stuart
Raynsford, Nick
Reid, Dr John
Rendel, David
Robinson, Geoffrey *(Co'try NW)*
Rogers, Allan
Rooker, Jeff
Rooney, Terry
Ross, Ernie *(Dundee W)*
Rowlands, Ted
Sheerman, Barry
Shore, Rt Hon Peter
Simpson, Alan
Skinner, Dennis
Smith, Andrew *(Oxford E)*
Smith, Chris *(Is'ton S & F'sbury)*
Smith, Llew *(Blaenau Gwent)*
Snape, Peter
Soley, Clive
Spearing, Nigel
Spellar, John
Squire, Rachel *(Dunfermline W)*
Steel, Rt Hon Sir David
Steinberg, Gerry
Stevenson, George
Sutcliffe, Gerry
Taylor, Mrs Ann *(Dewsbury)*
Thompson, Jack *(Wansbeck)*
Timms, Stephen
Touhig, Don
Turner, Dennis
Vaz, Keith
Walker, Rt Hon Sir Harold
Wallace, James
Walley, Joan
Wardell, Gareth *(Gower)*
Wareing, Robert N
Wicks, Malcolm
Williams, Rt Hon Alan *(Sw'n W)*
Williams, Alan W *(Carmarthen)*
Wilson, Brian
Winnick, David
Worthington, Tony
Wray, Jimmy

Tellers for the Ayes:
Mrs. Barbara Roche and Mr. John Cummings.

NOES

Ainsworth, Peter *(East Surrey)*
Alexander, Richard
Alison, Rt Hon Michael *(Selby)*
Amess, David
Arbuthnot, James
Arnold, Jacques *(Gravesham)*
Arnold, Sir Thomas *(Hazel Grv)*
Ashby, David
Atkins, Rt Hon Robert
Atkinson, David *(Bour'mouth E)*
Atkinson, Peter *(Hexham)*
Baker, Rt Hon Kenneth *(Mole V)*
Baker, Nicholas *(North Dorset)*
Baldry, Tony
Banks, Matthew *(Southport)*
Bates, Michael
Batiste, Spencer
Bellingham, Henry
Bendall, Vivian
Beresford, Sir Paul
Biffen, Rt Hon John
Bonsor, Sir Nicholas
Booth, Hartley
Boswell, Tim
Bottomley, Peter *(Eltham)*
Bottomley, Rt Hon Virginia
Bowden, Sir Andrew
Bowis, John
Boyson, Rt Hon Sir Rhodes
Brandreth, Gyles
Brazier, Julian
Bright, Sir Graham
Brooke, Rt Hon Peter
Brown, M *(Brigg & C'thorpes)*
Browning, Mrs Angela
Bruce, Ian *(Dorset)*
Budgen, Nicholas
Burns, Simon
Burt, Alistair
Butler, Peter
Butterfill, John
Carlisle, John *(Luton North)*
Carlisle, Sir Kenneth *(Lincoln)*
Carrington, Matthew
Carttiss, Michael
Cash, William
Channon, Rt Hon Paul
Chapman, Sydney
Clappison, James
Clark, Dr Michael *(Rochford)*
Clarke, Rt Hon Kenneth *(Ru'cliff)*
Clifton-Brown, Geoffrey
Congdon, David
Conway, Derek
Coombs, Anthony *(Wyre For'st)*
Coombs, Simon *(Swindon)*
Cope, Rt Hon Sir John
Cormack, Sir Patrick
Couchman, James
Cran, James
Currie, Mrs Edwina *(S D'by'shr)*
Curry, David *(Skipton & Ripon)*
Davies, Quentin *(Stamford)*
Day, Stephen
Deva, Nirj Joseph
Devlin, Tim
Dicks, Terry
Dorrell, Rt Hon Stephen
Douglas-Hamilton, Lord James
Dover, Den
Duncan, Alan
Duncan-Smith, Iain
Dunn, Bob
Durant, Sir Anthony
Dykes, Hugh
Eggar, Rt Hon Tim
Elletson, Harold
Emery, Rt Hon Sir Peter
Evans, David *(Welwyn Hatfield)*
Evans, Jonathan *(Brecon)*
Evans, Nigel *(Ribble Valley)*
Evans, Roger *(Monmouth)*
Evennett, David
Faber, David
Fabricant, Michael
Fenner, Dame Peggy
Field, Barry *(Isle of Wight)*
Fishburn, Dudley
Forman, Nigel
Forsyth, Rt Hon Michael *(Stirling)*
Forth, Eric
Fowler, Rt Hon Sir Norman
Fox, Dr Liam *(Woodspring)*
Fox, Sir Marcus *(Shipley)*
Freeman, Rt Hon Roger
French, Douglas
Fry, Sir Peter
Gale, Roger
Gallie, Phil
Gardiner, Sir George
Garnier, Edward
Gill, Christopher
Gillan, Cheryl
Goodlad, Rt Hon Alastair
Goodson-Wickes, Dr Charles
Gorman, Mrs Teresa
Gorst, Sir John
Grant, Sir A *(SW Cambs)*
Greenway, Harry *(Ealing N)*
Greenway, John *(Ryedale)*
Griffiths, Peter *(Portsmouth, N)*
Gummer, Rt Hon John Selwyn
Hague, William
Hamilton, Rt Hon Sir Archibald
Hamilton, Neil *(Tatton)*
Hampson, Dr Keith
Hanley, Rt Hon Jeremy
Hannam, Sir John
Hargreaves, Andrew
Harris, David
Haselhurst, Sir Alan
Hawkins, Nick
Hawksley, Warren
Hayes, Jerry
Heald, Oliver
Heath, Rt Hon Sir Edward
Heathcoat-Amory, David
Hendry, Charles
Heseltine, Rt Hon Michael
Hicks, Robert
Hill, James *(Southampton Test)*
Hogg, Rt Hon Douglas *(G'tham)*
Horam, John
Hordern, Rt Hon Sir Peter
Howard, Rt Hon Michael
Howarth, Alan *(Strat'rd-on-A)*
Howell, Rt Hon David *(G'dford)*
Howell, Sir Ralph *(N Norfolk)*
Hughes, Robert G *(Harrow W)*
Hunt, Rt Hon David *(Wirral W)*
Hunt, Sir John *(Ravensbourne)*
Hunter, Andrew
Hurd, Rt Hon Douglas
Jack, Michael
Jackson, Robert *(Wantage)*
Jenkin, Bernard
Jessel, Toby
Johnson Smith, Sir Geoffrey
Jones, Gwilym *(Cardiff N)*
Jones, Robert B *(W Hertfdshr)*
Jopling, Rt Hon Michael
Key, Robert
King, Rt Hon Tom
Knapman, Roger
Knight, Mrs Angela *(Erewash)*
Knight, Greg *(Derby N)*
Knight, Dame Jill *(Bir'm E'st'n)*
Knox, Sir David
Kynoch, George *(Kincardine)*
Lait, Mrs Jacqui
Lamont, Rt Hon Norman
Lang, Rt Hon Ian
Lawrence, Sir Ivan
Legg, Barry
Leigh, Edward
Lennox-Boyd, Sir Mark
Lester, Jim *(Broxtowe)*
Lidington, David
Lightbown, David
Lilley, Rt Hon Peter
Lloyd, Rt Hon Sir Peter *(Fareham)*
Lord, Michael
Luff, Peter
Lyell, Rt Hon Sir Nicholas
MacGregor, Rt Hon John
MacKay, Andrew
Maclean, Rt Hon David
McLoughlin, Patrick
McNair-Wilson, Sir Patrick
Madel, Sir David
Maitland, Lady Olga
Malone, Gerald
Mans, Keith
Marland, Paul

Marlow, Tony
Marshall, John *(Hendon S)*
Marshall, Sir Michael *(Arundel)*
Martin, David *(Portsmouth S)*
Mawhinney, Rt Hon Dr Brian
Mellor, Rt Hon David
Merchant, Piers
Mills, Iain
Mitchell, Andrew *(Gedling)*
Mitchell, Sir David *(NW Hants)*
Monro, Sir Hector
Montgomery, Sir Fergus
Needham, Rt Hon Richard
Nelson, Anthony
Neubert, Sir Michael
Newton, Rt Hon Tony
Nicholls, Patrick
Nicholson, David *(Taunton)*
Nicholson, Emma *(Devon West)*
Norris, Steve
Onslow, Rt Hon Sir Cranley
Oppenheim, Phillip
Ottaway, Richard
Page, Richard
Paice, James
Patnick, Sir Irvine
Patten, Rt Hon John
Pattie, Rt Hon Sir Geoffrey
Peacock, Mrs Elizabeth
Pickles, Eric
Porter, Barry *(Wirral S)*
Porter, David *(Waveney)*
Portillo, Rt Hon Michael
Powell, William *(Corby)*
Rathbone, Tim
Redwood, Rt Hon John
Renton, Rt Hon Tim
Richards, Rod
Riddick, Graham
Rifkind, Rt Hon Malcolm
Robathan, Andrew
Roberts, Rt Hon Sir Wyn
Robertson, Raymond *(Ab'd'n S)*
Robinson, Mark *(Somerton)*
Roe, Mrs Marion *(Broxbourne)*
Rowe, Andrew *(Mid Kent)*
Rumbold, Rt Hon Dame Angela
Sackville, Tom
Scott, Rt Hon Sir Nicholas
Shaw, David *(Dover)*
Shaw, Sir Giles *(Pudsey)*
Shephard, Rt Hon Gillian
Shepherd, Colin *(Hereford)*
Shepherd, Richard *(Aldridge)*
Shersby, Sir Michael
Sims, Roger
Smith, Tim *(Beaconsfield)*
Soames, Nicholas
Speed, Sir Keith
Spencer, Sir Derek
Spicer, Sir James *(W Dorset)*
Spicer, Michael *(S Worcs)*
Spink, Dr Robert
Spring, Richard
Sproat, Iain
Squire, Robin *(Hornchurch)*
Stanley, Rt Hon Sir John
Steen, Anthony
Stephen, Michael
Stern, Michael
Stewart, Allan
Streeter, Gary
Sumberg, David
Sweeney, Walter
Sykes, John
Tapsell, Sir Peter
Taylor, Ian *(Esher)*
Taylor, John M *(Solihull)*
Taylor, Sir Teddy *(Southend, E)*
Temple-Morris, Peter
Thomason, Roy
Thompson, Sir Donald *(C'er V)*
Thompson, Patrick *(Norwich N)*
Thornton, Sir Malcolm
Thurnham, Peter
Townend, John *(Bridlington)*
Townsend, Cyril D *(Bexl'yh'th)*
Tracey, Richard
Tredinnick, David
Trend, Michael
Trotter, Neville
Twinn, Dr Ian
Vaughan, Sir Gerard
Viggers, Peter
Waldegrave, Rt Hon William
Walden, George
Walker, Bill *(N Tayside)*
Waller, Gary
Ward, John
Wardle, Charles *(Bexhill)*
Waterson, Nigel
Watts, John
Wells, Bowen
Whitney, Ray
Whittingdale, John
Widdecombe, Ann
Wiggin, Sir Jerry
Wilkinson, John
Willetts, David
Wilshire, David
Winterton, Mrs Ann *(Congleton)*
Winterton, Nicholas *(Macclesfield)*
Wolfson, Mark
Yeo, Tim
Young, Rt Hon Sir George

Tellers for the Noes:
Mr. Timothy Wood and
Mr. Timothy Kirkhope.

Question accordingly negatived.

Question, That the proposed words be there added, *put forthwith pursuant to Standing Order No. 30 (Questions on amendments) and agreed to.*

MADAM SPEAKER *forthwith declared the main Question, as amended, to be agreed to.*

Resolved,

That this House welcomes the increase of 38 per cent. in average incomes and the rise in spending of all income groups since 1979; welcomes the fact that the United Kingdom has fewer people claiming unemployment benefits and more jobs than any other major European country; welcomes the creation of a new Department for Education and Employment to improve further Britain's skill base and competitive position; applauds the £700 million package of measures to improve incentives to work for those on benefits and increase the rewards of work for lower-paid families; welcomes further initiatives, such as the Jobseeker's Allowance, the Back to Work Bonus, and the pilot of an Earnings Top-up for childless people on low earnings; believes that supplementing low pay to help people into work is preferable to destroying jobs through a statutory national minimum wage and the social chapter; and recognises that improving opportunity and the reward for effort is less socially divisive than encouraging dependency and the politics of envy.

Competition (Local Government)

10.15 pm

The Parliamentary Under-Secretary of State for the Environment (Sir Paul Beresford): I beg to move,

That the draft Local Government Act 1988 (Competition) (Defined Activities) Order 1995, which was laid before this House on 8th June, be approved.

The order completes the Government's programme for the extension of compulsory competitive tendering to white collar professional services by adding financial, information technology and personnel services to the statutory CCT regime. It also amends the current definition of building cleaning to including the cleaning of police buildings.

CCT has, of course, brought many benefits to local taxpayers in the past 15 years, but perhaps more significant in the longer term have been the improvements in service quality and efficiency brought about by better management and a clearer strategic focus. Not least have been savings which we estimate at well over £400 million.

The Government first set out their intention to extend CCT to white collar professional services in November 1991. Since then, we have been engaged in a thorough debate with local authority representatives on the framework for white collar CCT. Parliament approved orders defining the first of these—legal and construction and property services—in November last year.

On 18 May, we announced to the House details of the regime which would apply to the remaining services described in the order. The definitions are part of a package which also includes the competition percentages for this work, revised rules for tendering and the implementation timetables, all of which will be set out in further statutory instruments once the order receives Parliament's approval.

In many cases, decisions on these matters have entailed careful judgments which balance the need to bring competition to bear on white collar services with the operational flexibility that individual authorities rightly seek. I intend to monitor closely the implementation of white collar CCT, and will undertake to reconsider any aspect of the regime if there is hard evidence of problems in applying the new rules.

We have met many of the concerns of local authorities in putting together a challenging but, I believe, fair regime. CCT will not impose a rigid model for service delivery, but instead will encourage innovation, improved quality and greater value for money. The onus is now on local authorities to respond positively to the challenge of competition.

I commend the order to the House.

10.18 pm

Mr. Eric Illsley (Barnsley, Central): As the Minister pointed out, the order defines the activities to be included in the Government's latest extension of compulsory competitive tendering to financial services, information technology services and personnel services. The Labour party has some misgivings about CCT. We would like to raise one or two issues this evening and persuade the Minister to respond to them.

The Government are still intent on breaking up local government services even though there is now growing evidence that CCT costs more than it saves. CCT is causing the loss of tens of thousands of jobs in local government, and it discriminates largely against women. The quality of services provided by local government is falling dramatically as services move into the private sector.

As local government is swamped by bureaucracy as a result of compulsory competitive tendering and the preparation for, in particular, white collar CCT, and the private companies cut the terms and conditions of employees in order to maximise profit, there is increasing concern about the abuses and collusion that appear to be taking place among private contractors.

Experience of blue collar CCT has shown that we can expect more of the same problems next year as white collar CCT is implemented. The Government's insistence on CCT is based on the premise that quality will be improved and costs reduced. The Minister mentioned cost reductions of £400 million; perhaps he will tell us where he obtained that figure, which tends to be contradicted by information available to the Opposition. To us, the opposite appears to be the case: costs appear to be increasing, and quality appears to be declining.

The Government's own research found that costs had decreased by an average of some 6.5 per cent., over a range of a 15 per cent. cut through to a 2 to 3 per cent. increase. That has been achieved mainly through the imposition by private companies of pay reductions, reductions in holiday entitlement and, of course, considerable job losses. In-house contracts have been won at a similar cost in jobs and conditions of employment.

It is unlikely that any such cost savings will be replicated in white collar CCTs. The percentage of work to be put out to competitive tender is smaller; the type of work is more quality-orientated; and there is a fear that the bureaucracy involved will far outweigh any savings to be achieved. In fact, the sheer volume of work involved in preparation for compulsory competitive tendering has added some 10 per cent. to the costs—and, in bureaucracy terms, to the value of the contract.

White collar CCT places a greater emphasis on quality than blue collar CCT. Many local government departments have built up technical expertise that will be fragmented with the introduction of white collar CCT; many in-house departments will lose the expertise that they have built up over a number of years. In my view, white collar CCT is unnecessary. At present, there is considerable downward pressure on local government as a result of recent financial settlements: over the past few years, many local authorities have been squeezed, and many of the areas that we are debating have suffered cuts as a result of capping and other Government restraints.

Is compulsory competitive tendering saving money, and does it discriminate against women? The Minister will know of a report compiled by the Centre for Public Services, on behalf of the Equal Opportunities Commission, which published some startling findings. It involved a case study of four services and 39 specific instances, and concluded that, in those four services alone, there have been 74,000 job losses. It also stated that the cost of unemployment, combined with the loss of income resulting from job losses, cuts in hours, loss of holiday retainers and lower wages, was some £41.2 million in the four services.

Gender differences were highly significant, changes in women's employment accounting for £32 million, or 70 per cent., of the cost of increased unemployment and loss of income to central Government. The study calculated

cost savings to be only about £16.4 million—a sum outweighed by costs of £41.2 million. Nationally, over the four services, we have a figure of £126 million. Put another way, for every £1 million of CCT savings, the cost to the Government and to the public purse—and so to unemployment benefit, family credit and other benefits—is £2 million.

Women's employment fell by 22 per cent., and male employment by 12 per cent. Obviously, a higher proportion of women are affected by CCT. Average hours declined by 25 per cent. The decline in hours and pay means that the weekly earnings of a greater number of women are below the national insurance lower earnings limit, and that those women are often excluded from employment protection.

There is a trend towards multiple jobs. Women have a number of contracts with the same local authority or private contractor, which bring them above the national insurance threshold only when they are combined. Many local authorities and companies are happy for women to remain below that threshold, so that they do not have to contribute to the national insurance fund.

More than 200,000 white collar and professional staff, men and women, will be affected by the extension of CCT from 1996. Four out of five women's jobs affected by white collar CCT are in low-paid grades. Does the Minister accept those findings, and if so, what action does he propose to take as a result of those conclusions? It is obvious that the impact on women's employment is highly significant.

Those problems are likely to be replicated in white collar CCT in personnel, information technology and financial services, as quite a high number of female full-time jobs exist in those sectors. What will the Minister therefore do about that report? Does he accept it, and if not, will he, at the very least, commission his own research? At the very best, he should shelve the whole white collar CCT programme until those issues have been far more thoroughly researched. If he does not accept the report, I should like to hear his reasons why.

On job losses overall, 12 per cent. of local government jobs have been lost. Some 167,000 manual jobs were lost between 1989 and 1993.

We come to the issues of efficiency and competition. Local government is required to achieve a 6 per cent. return on capital used in local government. That condition does not apply to private companies—no requirement exists for that 6 per cent. return. Private sector companies can make a loss, and it does not affect the fact that they hold that contract. Surely that is unfair competition and militates against efficiency.

For example, in grounds maintenance, in 1994-95 the contractor AAH Environmental made a loss of £3 million, which was sustained through the parent company AAH plc. The highways direct service organisation of Bradford metropolitan borough council, however, is to be closed from April 1996 because of a loss of £1.18 million in 1993-94, despite the fact that, in previous years, it had achieved surpluses in other activities. That loss, however, cannot be offset in the same way as such losses can be in the private sector.

Having said that, some 85 per cent. of direct service organisations are achieving their target. Those DSOs plough back the profits and surpluses they make from CCT to a far greater extent than Conservative authorities or authorities controlled by other than Labour councillors.

Competition has decreased. There is overwhelming evidence of cartels and collusion. In building cleaning, four companies have 29 per cent. of the contracts. In grounds maintenance, five companies have 53 per cent. of the contracts. In school meals, three companies have 78 per cent. of the contracts; and so it goes on. In those sectors, therefore, CCT appears not to have increased competition at all.

In May this year, 11 private contractors were found guilty of price rigging. The companies involved in tendering in areas such as financial services will be far bigger and better able to offset any losses on particular contracts. The application of the Transfer of Undertakings (Protection of Employment) Regulations 1981 has persuaded some private contractors that it is not worth tendering within local government, because they cannot derive profits from cutting jobs, hours of work and conditions of employment. For example, Securicor recently sold its cleaning company and AAH—the company that I just mentioned—is to sell off its environmental services division.

The quality of the services provided by the private sector has declined dramatically. I recently attended a conference at which the Under-Secretary of State, the hon. Member for Hertfordshire, West (Mr. Jones), said that over-emphasis on quality of service in local government would be viewed as anti-competitive behaviour. So local authorities will now be prevented from concentrating on providing quality services, because that will be regarded as anti-competitive. The idea of quality service provision has gone out of the window in favour of providing the cheapest service.

There are numerous examples of contracts being terminated because of quality issues. I shall name only my favourite one. The West Wiltshire local authority sacked its grounds maintenance contractor which had failed to achieve the targets stated on the contract, because it said that the "grass was growing too quickly". In April 1995, *The Daily Telegraph* said:

> "The Government's drive to privatise council services is in crisis . . . Scores of contractors have gone bust or been sacked, costs are rising and local government auditors have given warning about the increasing risks of corruption . . . Some of the contractors have also expressed doubts . . . particularly when (CCT) compels councils to privatise, often against their will, and attracts over-aggressive bidding with a resultant low priority on quality".

That quote comes from a newspaper that is not exactly pro-Labour.

Finally, I refer to the section of the regulations concerning police buildings. It has been highlighted that the requirement for police authorities to put out their building cleaning to private contract could jeopardise the security of those buildings. A number of police buildings serve a dual purpose, and many others have a security requirement. Trade unions and other bodies involved with police authorities and building cleaning point out that that security could be put at risk by contracting out work to the private sector.

It is clear that CCT is costly, more and more inefficient and provides a poorer quality of service. The emphasis is on excluding local government in favour of private sector profit on the basis of dogma. There is a cost in jobs, levels of pay, conditions of work and, above all, in terms of quality of service to the council tax payer, who is required to accept the cheapest available service. I ask the Minister to reconsider the order, and particularly the issue of discrimination against women.

10.33 pm

Mr. David Rendel (Newbury): As I have expressed my views and those of my Liberal Democrat colleagues about compulsory competitive tendering to the House on various occasions, my remarks tonight shall be brief.

I have always argued that there are clear benefits in introducing competitive tendering for some public services. Competition can help to eliminate waste and it can put the spotlight on the level of service required at what cost. Moreover, external contractors can sometimes possess a useful expertise which is not available within a given local authority. The opportunity for a local authority to choose between its own expertise and that of other outside contractors can only enhance that authority's ability to provide quality services with good value for money.

However, we must be clear that, in order to gain full advantage from competitive tendering, we must allow local authorities to use it as a part of their individual management and organisational policies. The compulsory element of the current tendering process undermines the right of local authority managers to manage, and the right of councillors to set council policy. That prohibition of local decision making is itself anti-competitive.

Under present CCT regulations, local authorities are not permitted to take fully into account the costs of transition to externally provided services. Neither may they account for continuing tendering costs or make any allowance for the loss of internal direct labour capacity. Tying a council to external corporate pricing that way does not aid real competition.

Above all, CCT often does not even make economic sense. The Equal Opportunities Commission survey of the real costs of CCT cast a good deal of doubt on the ground of cost alone. When CCT was first introduced, Newbury district council—my own authority—made a policy decision to fight for and to win, wherever possible, every contract that it was forced to put out to tender.

In almost every case, the council was successful, but the result in almost every case was increased cost to the authority, because the tender price had to be added to the cost of an extra layer of bureaucracy—the contracts board that was put in to oversee the running of the contract. Under the system, one had two sets of management—one to oversee the running of the contract and one to oversee the contract itself.

When arguments are made about public service and public accountability, it becomes clear that CCT is by no means a policy born of common sense but one driven by dogma. If councillors have been elected to govern in their own particular style, with specific commitments to service provision, they should be able to fulfil those obligations. The whole principle underlying local government is that local people are the best judges of their local needs, and that they express that judgment in local elections. Compulsory competitive tendering goes directly against that basic principle of local democracy.

I am pleased that the order before the House has been toned down a little by the Minister, but there remain matters of great concern. We know, thanks to the Equal Opportunities Commission, that CCT is particularly detrimental to women who wish to work part-time. I fully support the remarks of the Labour spokesman, the hon. Member for Barnsley, Central (Mr. Illsley), about women. Moreover, the complicated regulations involved in CCT for finance, information technology and personnel are a bureaucratic nightmare, well described as a job creation scheme for accountants.

The cleaning of police buildings, different parts of which may be sensitive at different times, is not a service that should ever have been subjected to CCT. I hope that the Government are looking forward to the first serious leak of confidential information that results.

In the light of the Secretary of State's changes to his original proposals, perhaps he is just beginning to get the message that the Conservative vision of local government as simply an allocator of contracts to the private sector, with precious little scope for accountability, is not shared by almost anybody involved in local government. It is not shared by local authority associations, Opposition parties or the public. Even some Conservative councillors, I am happy to say, have had just about all they can take from CCT.

The Government have twisted and turned over local government review, and I understand that they may be about to ditch the strict capping regime. As the Government seem to be in the mood for tuning, they ought to know that a U-turn on CCT would be widely appreciated throughout the country.

10.38 pm

Sir Paul Beresford: I will first touch on some of the points made by the hon. Member for Newbury (Mr. Rendel), who displayed a mind-boggling misunderstanding of how competitive tendering can be used and the control that can be exercised.

If the hon. Gentleman's local authority finds extra costs incurred in managing and controlling CCT systems—whether in-house or external—it had better look at it again. From my considerable experience, significant savings can be made. One must examine the way that the contract is set up and the specifications. Additional costs are a sign of incompetence on the part of the local authority. If the hon. Gentleman had done more homework—

Mr. Rendel *rose—*

Sir Paul Beresford: I have not finished yet.

Mr. Paul Boateng (Brent, South): Churlish.

Sir Paul Beresford: Desperately so.

The hon. Gentleman should recognise that, in terms of the police, we are talking about a contract for 20 per cent. of the space available. That overcomes the difficulty that he was talking about.

Much play has been made of the commission's conclusion that CCT discriminates against women—

Mr. Rendel: The Minister described my local authority as having been obviously incompetent in its dealings over CCT. Does he realise that, at the time I was talking about, that local authority was Conservative-controlled?

Sir Paul Beresford: What I said stands. For a small fee, I am sure that we can arrange for someone to come down and help the authority. But under any other control, things would probably have been considerably worse.

The idea, stemming from the Equal Opportunities Commission, that CCT as a policy discriminates against women is the poorest piece of research I have seen for quite a long time. It looks at a very narrow range of services; it takes a very partial view of the evidence.

I do not accept the finding that CCT costs local authorities and the Exchequer more. Based on my personal experience of a London authority, in which we brought in an outside contractor to take over the IT services of a huge London borough, the resulting savings amounted to more than £1 million, with all on-costs added in. Moreover, a better service resulted. It is therefore untrue to say that CCT costs more.

The hon. Member for Barnsley, Central (Mr. Illsley) said that CCT costs more—a point that I have already dealt with. He also talked about a lack of future competition. My experience, after 12 or 15 years of competitive tendering in one London borough, has been exactly the opposite. The competition is harder and tighter, and that has spread throughout all authorities that adopt a realistic attitude—

Mr. Boateng: Which borough was that?

Sir Paul Beresford: I am talking about Wandsworth borough council, the council that managed to provide some of the best services in London—with a zero poll tax on two occasions. Part of that was due to the use of competitive tendering.

These debates have gone on for some time—

Mr. Nick Hawkins (Blackpool, South) *rose*—

Sir Paul Beresford: Nothing new has appeared. The proof of the pudding has been in the results. Many local authorities have adopted the route that we suggest this evening, and I commend the motion to the House.

Question put and agreed to.

Resolved,

That the draft Local Government Act 1988 (Competition) (Defined Activities) Order 1995, which was laid before this House on 8th June, be approved.

Legal Aid

10.42 pm

The Parliamentary Secretary, Lord Chancellor's Department (Mr. John M. Taylor): I beg to move,

That the draft Legal Advice and Assistance (Scope) (Amendment) Regulations 1995, which were laid before this House on 20th June, be approved.

This is a purely technical amendment, which is intended neither to extend nor to reduce the scope of assistance or representation, but merely to put transfer for trial, as we are now going to call it, on the same footing from a legal aid point of view as committals have been in the past.

10.42 pm

Mr. Paul Boateng (Brent, South): As this is a purely technical motion, we welcome it.

Question put and agreed to.

HEALTH

Ordered,

That Mr. Iain Duncan Smith be discharged from the Health Committee and Mr. John Marshall be added to the Committee.—*[Sir Fergus Montgomery, on behalf of the Committee of Selection.]*

ADJOURNMENT

Resolved,

That this House do now adjourn.—*[Mr. Kirkhope.]*

Adjourned accordingly at seventeen minutes to Eleven o'clock.

House of Commons

Tuesday 11 July 1995

The House met at half-past Two o'clock

PRAYERS

[MADAM SPEAKER *in the Chair*]

Oral Answers to Questions

EDUCATION AND EMPLOYMENT

National Minimum Wage

1. **Mr. Wilkinson:** To ask the Secretary of State for Education and Employment what assessment she has made of the effect of a national minimum wage on the employment prospects of unemployed people in other EU countries. [31781]

The Parliamentary Under-Secretary of State for Trade and Industry (Mr. Phillip Oppenheim): Reports by the OECD, the IMF and the European Commission confirm that a statutory minimum wage destroys jobs and job prospects, particularly for young people. That is most clearly demonstrated in France, where youth unemployment is twice the United Kingdom rate, and in Spain, where it is three times as high.

Mr. Wilkinson: It is welcome that my hon. Friend should spell out so unambiguously the potential consequences to this country of any imposition of a statutory minimum wage. In that regard, would it be only a self-imposed imposition, because neither European Union employment law, nor even the social chapter of the notorious Maastricht treaty itself, could impose such a requirement on this country?

Mr. Oppenheim: My hon. Friend is right. A minimum wage will be imposed in this country only if it is imposed by the Labour party if it gets into government. Its policy on the minimum wage is doubly dishonest. First, it pretends to the less well-off that there is some easy, cost-free method of raising their pay. Secondly, the Opposition will not indicate the level at which it will be set until after the election. They are giving the less well-off a menu without prices in the hope that they will not discover the true cost for their jobs until it is too late.

Ms Harman: How can the Minister justify to the House the fact that more than 1 million people earn less than £2.50 an hour? How can he justify the fact that the taxpayer has to pick up the bill for low pay to the extent of £2.4 billion? Is not the real reason why the Tories are against a national minimum wage that they are in favour of low pay? Is it not a disgrace that they have abolished the Department of Employment and that employment issues, such as unemployment and low pay, are to be consigned to the basement of the Department of Trade and Industry?

Mr. Oppenheim: The hon. Lady is wrong. The pay of the least well-off has increased substantially. The pay of a single man in the bottom 10 per cent. of earnings—*[Interruption.]* If the hon. Member for Birmingham, Ladywood (Ms Short) will contain herself and listen, she might learn something. According to the labour force survey, which the Labour party says that it supports, the pay of a single man in the bottom 10 per cent. of earnings has risen by £27 since 1979—faster than prices. Under the last Labour Government, the pay of the same person would have fallen. Until Opposition Members can tell the country at what level they would set the minimum wage, their policy will have no credibility and will be nothing but a dishonest and cruel deceit on the less well-off.

Training Schemes

2. **Mr. Bellingham:** To ask the Secretary of State for Education and Employment when she next expects to meet representatives of East Anglian training and enterprise councils to discuss training schemes for the long-term unemployed. [31782]

The Parliamentary Under-Secretary of State for Education and Employment (Mr. James Paice): Both my right hon. Friend the Secretary of State and I enjoy regular contact with the TEC movement in East Anglia.

Mr. Bellingham: Will the Minister find time today to pay tribute to the excellent work that the Norfolk and Waveney TEC has been doing for the long-term unemployed? Is it not worth reflecting on the fact that the TECs have been resisted at every turn and undermined by the Opposition, in spite of the excellent work that they have been doing? Does he also agree that, for the long-term unemployed, it is important to ensure plenty of business start-ups? What is he doing to help that?

Mr. Paice: I am happy to extend my good wishes to Norfolk and Waveney TEC, which has done a good job. Last year, when we published the TEC league tables, there was a substantial improvement in its performance, and I look forward to a continuing improvement next month, when we publish the tables for the past year. My hon. Friend is right to point out the problems of people wanting to start work and to become self-employed. That is why we have amended the rules of the training for work scheme to enable people, through training for work, to receive all the necessary advice, counselling, help and financial support, while they develop their business plans, so that any TEC is able to provide considerable support to such people.

Mr. Chidgey: Will the Minister confirm the success—I believe that it is right to call it that—of workstart pilot projects, especially in East Anglia, and will he confirm that he is planning to create another 5,000 places at a cost of £7.5 million? How can he reconcile that rather minimal investment with the forecast that there will still be over 1 million long-term unemployed by the year 2000, and the fact that unemployment is costing the country £20 billion a year? Does he think that some of the cuts in training expenditure should be transferred to workstart projects, which will improve training and the chances for the long-term unemployed of getting back into work in worthwhile jobs?

Mr. Paice: The hon. Gentleman is quite right. There will be 5,000 places in workstart schemes this year, which is a considerable increase on last year. He is not right to talk about substantial cuts in the training budget. The fact

is that TEC budgets this year are almost identical to what they were last year. Yes, training for work has had a reduction; but there has been a substantial increase in other budgets so that the total has hardly changed.

The most important thing is that the overall number of opportunities for the unemployed has been maintained at last year's figure of 1.5 million, despite the fact that, during that time, unemployment has fallen substantially. There are more opportunities for those who are unemployed today in proportion to what was available a year ago.

Inactivity Rates

3. **Mr. Milburn:** To ask the Secretary of State for Education and Employment if she will make a statement on inactivity rates. [31784]

Mr. Paice: The United Kingdom has a lower inactivity rate than any other major European Union country.

Mr. Milburn: Is the Minister aware that, over recent years, the number of people who are economically inactive and therefore displaced from the labour market has risen to over 7.8 million? Does that figure not give the lie to ministerial claims of success in tackling unemployment and creating jobs? More significantly, is it not symptomatic of a Government approach that is summed up by the decision to abolish the Department of Employment at the very time when there are more, not fewer, people struggling to find work?

Mr. Paice: I do not think that the hon. Gentleman fully understands what the economic activity and inactivity rates include. He suggests that those who are in the category of looking for work are somehow inactive; they are not. The unemployed are classified as economically active; the inactive figures to which he refers include, for example, the massive increase in the number of young people staying on at school. There has been an increase in the staying-on rate from 48 to 73 per cent. in the past 10 years. That is very good news for those young people's future career prospects, because they will have greater career opportunities and greater earning capacity. That is why the rate of inactivity has not gone down as much as the hon. Gentleman might wish.

Mr. Waterson: Does my hon. Friend agree, when we are talking about inactivity, that those in employment who fail to turn up for work for no good reason should be docked that day's pay, and that that should include Welsh Opposition Members who failed to turn up for Welsh questions?

Mr. Paice: It is entirely up to employers to make their own rules regarding deductions from wages for non-attendance. So far as the House is concerned, that is down to you, Madam Speaker.

Ms Short: I am afraid that the Minister is far too complacent. He seems to be unaware that one in four men of working age is without a job and that large numbers of those people are discouraged older workers. That is a result of one of the few successful Government policies: the encouragement of low-paid work. Virtually all the new jobs in the past 10 years have been low-paid, and have been overwhelmingly taken up by women living with an earning partner.

We have a growing crisis of work-rich families on the one hand and, on the other, work-poor families who are trapped in unemployment outside the labour market because the jobs available will not keep a family. We have a crisis and a soaring benefits bill. Have the Government any plans to address that?

Mr. Paice: Rarely has the House been exposed to such a nonsensical diatribe. The hon. Lady's facts are diametrically opposed to the truth. The simple fact is that in this country, as in every other country apart from Japan, there has been a small reduction in male activity rates, but it is not correct to align that fact with a change in the employment pattern over the past 10 or 20 years.

The hon. Lady suggests that all the jobs that have been created are part-time jobs for women, but that is not true. The vast majority of jobs in the early part of a recovery from recession are part time but, as recovery becomes more established, they become full-time. That is why full-time jobs are being created at the rate of two for every one part-time job at the moment. That is good news for all those who are unemployed and looking for work.

Mr. Alan Howarth: Will my hon. Friend confirm that there has been a substantial rise in economic inactivity over the past 20 years—I believe from 2 to 13 per cent.—among men? Has he noted the especially high incidence of economic inactivity—dropping out of the labour market—among men over the age of 55? Now that the Department of Employment has been merged with the Department for Education, will my hon. Friend give new thought to how we can help to make such involuntary early retirement a dignified condition, and how we can support people who have this experience in developing a satisfying new phase of life?

Mr. Paice: It is not Government policy to encourage people to become economically inactive. We want everyone who wants a job to have the opportunity to find one, but the only way in which we can create jobs is by having a dynamic economy with low inflation, low interest rates and a competitive currency, which are precisely the criteria that we have. That is why we have a sustained rate of growth in our economy, one that is better than those of virtually all of our competitors.

European Works Councils

4. **Mr. MacShane:** To ask the Secretary of State for Education and Employment what assessment she has made of European works councils. [31785]

The Parliamentary Under-Secretary of State for Small Firms, Industry and Energy (Mr. Richard Page): It is too early to assess works councils and other arrangements being established in response to the European directive.

Mr. MacShane: I thank the Minister for his reply. I do not know whether he represents the Department just abolished but a range of Front-Bench jobs have been created—perhaps those holding those jobs could form a works council to negotiate with their new boss. Now that Britain's main companies are forming a European works council at the rate of almost one a week and in defiance of the Government's opt-out from the social charter, will

the Minister join me in welcoming that trend and urge all the other multinationals in Britain to form European works councils as soon as possible?

Mr. Page: I am from the DTI and proud of it. May I correct a misapprehension under which the hon. Gentleman seems to be labouring? The Government are not against the creation of works councils and voluntary arrangements, but we are against compulsory bureaucratic legislation.

Mr. Brazier: Does my hon. Friend agree that, while there is a range of different ways in which employers may choose to organise their bargaining rights with their employees, what is completely wrong and anathema to Conservatives is the idea that bureaucrats in Brussels should lay down in detail what sort of relationship employers and employees should have with each other? Is that not one of the reasons why the Japanese and Americans seeking to invest money in Europe have chosen to invest pre-eminently in this country? Is it not a fact that we have attracted almost half the total inward investment in the European Union precisely because investors do not want to be dictated to about how to organise their working arrangements?

Mr. Page: My hon. Friend introduces the real world into this question—the real world of jobs, growth and development. It might be useful to remind the House that unemployment stands at almost 18.5 million in the European Union, whereas the figure is down to 8.3 per cent. in the United Kingdom, which is much lower than the European average, and still dropping. Some of our competitors in the European Union, such as France, have an unemployment rate of 12.4 per cent. That is the real world: creating jobs—jobs for British people.

Recently Unemployed People

6. **Mr. Flynn:** To ask the Secretary of State for Education and Employment what new proposals she has for those who have been permanently employed who have recently become unemployed. [31787]

The Parliamentary Under-Secretary of State for Education and Employment (Mrs. Cheryl Gillan): We shall continue to follow policies that have reduced unemployment by more than 660,000 since recovery began and enabled nearly 300,000 new jobs to be created in the past year.

Mr. Flynn: I warmly congratulate the hon. Lady on her promotion to new duties, which is richly deserved, since, on a memorable occasion, she drew the Prime Minister's attention to Rentokil, a company that he has used effectively to get rid of the entire Department of Employment. The employees and Ministers of that Department have alternative employment prospects, but, sadly, many people who lose their jobs in mid-life have no such alternative and their working life ends at 50. When a similar event happens to many Conservative Members, and they then go on the jobseeker's trail, will the hon. Lady tell me what answer she will give to the question on the jobseeker's agreement "What is the minimum wage you would be prepared to work for"? I am sure that she will give the same answer that she expects of all other people.

Mrs. Gillan: I thank the hon. Gentleman for his generous welcome, and might I add how pleased I am to see him in the Chamber today—he has decided not to work part-time after all. The hon. Gentleman has missed the point behind the merger of the Departments for Education and of Employment. That merger sends the clearest possible signal that education and training are at the top of the Government's agenda to improve the country's competitiveness. The merger will also offer a real focus to active labour market policies and build on the achievements of recent years in reducing unemployment.

Mr. Fabricant: May I also take this opportunity to congratulate my hon. Friend on getting to the Front Bench and say how nice it is to see someone with such a lovely blond hairstyle, which is so appropriate? There is hope for us all yet.

Does my hon. Friend agree that the question from the hon. Member for Newport, West (Mr. Flynn) and the earlier question about works councils demonstrate that the Labour party still believes that it is the Government, rather than markets and industries, that can create jobs? Is it not the case that we have the lowest corporation tax in Europe and that it is that which is securing inward investment and jobs?

Mrs. Gillan: I thank my hon. Friend for his generous welcome for my appearance at the Dispatch Box, and I agree with him absolutely. The prospects for the unemployed in the United Kingdom continue to improve and new vacancies continue to be notified to jobcentres—more than 200,000 a month. It is our policies which are helping to put people back to work.

Ms Eagle: Will the Minister give us some information on when we will next be allowed to ask questions about the unemployment rate, since this is the last Employment Question Time that we shall be allowed to have? Will she confirm when it was decided to abolish the Department of Employment? What is the expected rate of redundancy among civil servants at that former Department?

Mrs. Gillan: The hon. Lady is quite ungenerous in her remarks about the merger of the two Departments. In fact, I was reading just earlier this morning that that merger has been welcomed by the Confederation of British Industry, the Institute of Directors, the National Union of Teachers, the Secondary Heads Association and the National Association of Schoolmasters/Union of Women Teachers—just to name a few. The hon. Lady should re-examine what we doing in those two Departments and generously welcome the Government's brave policy, which will improve education and training right across the board.

Labour Statistics

7. **Mr. Dunn:** To ask the Secretary of State for Education and Employment how many people were in full-time work at (a) 1 July 1993 and (b) 1 July 1995. [31788]

The Secretary of State for Education and Employment (Mrs. Gillian Shephard): Over the quarters ending August 1993 and February 1995, there were 19 million and 19.2 million people in full-time employment in Great Britain.

Mr. Dunn: Will the Secretary of State please spell out the implications for those in employment of the introduction of the social chapter, the minimum wage, and

the loss of inward investment that would result from the policies of the Labour party and the parliamentary part-timers, the Liberal Democrats?

Mrs. Shephard: I congratulate my hon. Friend on his lovely blond hairstyle. As he well knows, the social chapter would roll back successes made in the United Kingdom in the past decade in modernising our industrial relations and removing the regulation that deters employers from taking on extra people. In the past decade, we have also provided extra help for unemployed people to find work.

The social chapter would increase burdens on employers. It would raise unemployment. Conservative Members believe that terms and conditions of employment should not be laid down by Government, much less by Brussels, but should be negotiated between employers and employees. Obviously, a national minimum wage would deter job creation. It would deter enterprise and destroy jobs. That is obvious to everyone except the Labour party.

Mrs. Mahon: Is it not true that nearly 600,000 women in part-time jobs had to stay there because they could not obtain full-time jobs, and that 2.5 million part-timers earn less than the national insurance threshold, thus excluding them from statutory sick pay, maternity pay and a retirement pension? How does the Minister believe those people will live when they get sick and when they get old?

Mrs. Shephard: It is true that the growth of employment in the early stages of recovery was concentrated among part-timers, but the hon. Lady should also know that full-time employment has now increased at a faster rate than part-time employment, and that only 14 per cent. of people who worked part time this winter did so because they could not find a full-time job. The imposition of a national minimum wage is the wrong way to tackle low pay and unemployment, and women would suffer the worst as a result.

Mr. Tredinnick: Can my right hon. Friend confirm that the number of people employed in manufacturing increased by 15,000 in the quarter to March, and that that was the third quarter running? Will she also confirm that many of those jobs are in the east midlands, and most of them are full-time jobs?

Mrs. Shephard: I agree with my hon. Friend. Indeed, the Government's general approach to the labour market—a sound macro-economic policy, open trade and flexible labour markets—has helped the recovery and the creation of jobs, which he so rightly welcomes, in the east midlands as elsewhere in the country.

Ms Harman: Bearing in mind that, when the Secretary of State was Employment Secretary, she brought in the legislation that abolished the wages councils, thereby taking away low pay protection from 2.5 million workers, will she confirm to the House the figures that are in the latest labour force survey, which show that, in spite of the fact that pay for those in the bottom of those wages council sectors has fallen, and therefore they have suffered from the loss of that low pay protection, there has been no increase in jobs in those sectors and therefore we have the worst of all worlds—losing low pay protection and no extra jobs?

Mrs. Shephard: The hon. Lady has misread the labour force survey. She should know from that that the wages of those who were previously covered by wages councils have increased faster than other wages. I repeat that pay must be a matter for determination between employers and employees. The hon. Lady needs to understand that a national minimum wage would have precisely the effect that she would so much deprecate.

Youth Unemployment

8. **Mr. Peter Bottomley:** To ask the Secretary of State for Education and Employment what assessment she has made of the effects of labour market regulation on levels of youth unemployment. [31789]

The Parliamentary Under-Secretary of State for Schools (Mr. Robin Squire): The Government believe that labour market regulation damages the level of employment, particularly for young people. Youth unemployment is higher in France and Spain, both of which have a statutory minimum wage.

Mr. Bottomley: The House will welcome the growing number of teenagers who stay on in education and training. Will my hon. Friend make inquiries to ascertain what rates of pay are agreed for people aged 17 and 16 in the Trades Union Congress, in the CBI, in his own Department and in the House of Commons Commission? I believe that he will discover that regulation is not only what is imposed by Government, but that it can be agreements between managers and unions that exclude young people from obtaining the experience on the basis of which they will be hired and taken on.

Mr. Squire: My hon. Friend will understand if I do not answer every aspect of his question. I shall certainly look into the point that he raises. It will assist the House as well as my hon. Friend if I say that, in September 1994, there were 2,313 16 to 21-year-olds employed in the former Department of Employment—56 per cent. of them were paid more than £8,000 a year. I shall come back to my hon. Friend, not only on the equivalent figures with regard to education in the combined Department, but on the other aspects that he mentioned.

Mr. Burden: Why should young unemployed people have confidence that the Government have any concern for their welfare or the welfare of anyone in work when Ministers have admitted that, on no fewer than 16,000 occasions in the past five years—there are records to show this—employers have broken the law in relation to notification of redundancies to the Department? On not one occasion have Ministers prosecuted an employer for breaking those laws. How will the abolition of the Department of Employment help to resolve that problem? Will the Government now start insisting that employers have to abide by the laws of this land?

Mr. Squire: The answer to the first part of the hon. Gentleman's question on the consequences of the abolition of the Department is that there will be no change in terms of the state of the law, which will continue to be implemented as it has in the past. The hon. Gentleman asked his question against a background of a significant improvement in the prospects of young people gaining employment over the past two years. Claimant unemployment for under-25s has fallen by 200,000 over the past two years—a faster rate of decline than for the population in general. As the House knows, but the

Labour party tends to ignore, the rates for youth unemployment in this country remain among the best in Europe.

Agism

9. **Mr. Nigel Evans:** To ask the Secretary of State for Education and Employment what representations she has received concerning agism in employment vacancies. [31790]

Mrs. Gillan: I have not yet received any representations myself but, like my predecessor, I am committed to the campaign for older workers. I commend to the House the excellent publication, "Too old . . . who says?", which provides advice and guidance to those seeking work. Agism makes no economic sense for individual employers or for the nation.

Mr. Evans: May I add my congratulations to the many other congratulations that my hon. Friend has received on her well-deserved and popular promotion to the Front Bench? My hon. Friend will know that I am extremely concerned about that group of the work force in their 40s and 50s who, through no fault of their own, lost their jobs during the recession and are unable to find work. What incentives and guidelines are the Government giving to employers to ensure that they do not turn their backs on that valuable resource?

Mrs. Gillan: I thank my hon. Friend for his generous remarks.

I know that my hon. Friend takes a great interest in the subject and the issue of agism. He has already raised with me some individual cases in his constituency. My predecessor successfully raised the profile of older workers but, importantly, with inflation and interest rates lower than for many years, our economic policies are improving everyone's employment prospects.

Dr. Reid: In congratulating—*[Interruption.]*

Madam Speaker: Order. The House is in good spirits today.

Dr. Reid: In congratulating the hon. Lady on her promotion, may I bring to her attention the fact that many older workers are among the long-term unemployed? Will she explain to us in her first outing today why there are now three times as many long-term unemployed as there were when the Tory Government took over in 1979—and do so without assistance from her pal at the side?

Mrs. Gillan: I do not intend, even on my first outing, to take lectures on unemployment from the Labour party, particularly as the levels of unemployment rose quite unacceptably under the last Labour Government—if, indeed, there is anyone in the House who can remember that Government.

I have already mentioned the Government's campaign for older workers, which, with the support of the advisory group on older workers, aims to demonstrate the benefits of policies that allow people of all ages to contribute to their employers' success. The campaign also encourages older workers to be positive about the range of skills and knowledge that they can offer.

Strike Records

10. **Mr. Cyril D. Townsend:** To ask the Secretary of State for Education and Employment what comparison she has made between the strike record in the United Kingdom and Germany currently and between the United Kingdom and West Germany in 1979. [31791]

Mr. Oppenheim: In 1979, the United Kingdom lost 29.5 million days through strikes—more than 50 times West Germany's total of 0.5 million. In 1993, by contrast, the United Kingdom and the unified Germany each lost 0.6 million days to labour disputes.

Mr. Townsend: I thank my hon. Friend for those interesting and encouraging figures. Does he agree that Britain's improved industrial relations record in the 1980s produced a very good case for abolishing the Department of Employment some years ago?

Mr. Oppenheim: That is an interesting perspective. Many extremely good civil servants worked in the Department of Employment, which was a very good Department. I think that they will go to other Departments and spread around their good work.

My hon. Friend makes another good point. The Government's labour market reforms have led to a revolution in British manufacturing productivity. In the 1960s and 1970s, Britain was anchored at the bottom of the G7 league for growth in manufacturing productivity. In the 1980s and in the 1990s, Britain has been at the top of the G7 league for growth in manufacturing productivity. That is the best way to ensure more and better paid jobs for people.

Training and Enterprise Councils

11. **Mr. Evennett:** To ask the Secretary of State for Education and Employment how TEC licensing will improve standards of training; and what assessment she has made of the proportion of TECs currently achieving good standards. [31792]

Mr. Paice: Three-year licences are awarded to training and enterprise councils that meet rigorous standards for performance and capability. All TECs are required to achieve a licence by 1997.

Mr. Evennett: I thank my hon. Friend for that reply. Does he agree that training and retraining are vital in today's society and that they must be worth while, of a high calibre and must help the participants? Is he aware that, although some TECs have failed in some areas, the majority have done a very good job? SOLOTEC in my borough of Bexley has done an excellent job in the past few years.

Mr. Paice: My hon. Friend is correct: training on its own is inadequate unless it is of a high calibre. That is why we have concentrated on a range of measures to drive up the performance of our training courses through TECs and it is why we publish performance league tables for all TECs every August. That demonstrates the rate of improvement in many TECs, including SOLOTEC, which I am pleased to congratulate on its success. There is a further range of measures, including funding according to performance, designed to improve the output of TECs.

I make it absolutely clear that the licensing process is extremely rigorous. If TECs do not meet the standards necessary, they will not get a licence and they will not get a contract.

Mr. Barron: The Minister talks about improving standards of training. Did not Coopers and Lybrand's study into the output-related funding of training conclude that the Government have virtually destroyed training provision in this country? Why were the implications of output-related funding not evaluated properly before the scheme went national this financial year?

In view of decisions taken last week, training providers and training and enterprise councils want to know one thing. When the right hon. Member for Norfolk, South-West (Mrs. Shephard) was Secretary of State for Employment, she made a £100 million cut in the training budget. There will be training cuts this year and next year as well. Will the training that the Government abolished just prior to their abolition of the Department of Employment be restored?

Mr. Paice: My right hon. Friend will address the TEC national conference on Thursday. She will reassure it of our total support for the role that TECs play and will continue to play in the provision of training. The hon. Gentleman was clearly not listening earlier when I said that training budgets overall have not changed from last year. He identified one specific sector of the training budget—training for work—but overall it has not changed. The evidence is entirely clear on output-related funding. TECs running output-related pilots improved their training output dramatically, and it was entirely logical that they were the way forward for the whole country.

Mr. Gallie: Is my hon. Friend aware of the pick-up in the house building programme recently? Does he share my concern about the lack of basic skills within that industry? What steps can be taken throughout the construction industry, perhaps to reintroduce the traditional apprenticeships of old?

Mr. Paice: I have good news for my hon. Friend. First, the Construction Industry Training Board is responsible for training in that industry. Secondly, it has embarked on the provision of modern apprenticeships, along with many other organisations and employers who this year will make available nearly 50 different vocational modern apprenticeships to enable a vast range of people to obtain recognised qualifications based on competence testing. That is the way forward to meet the skills needs of the future.

Low Pay

12. **Mr. Jon Owen Jones:** To ask the Secretary of State for Education and Employment what steps she is taking to tackle the problem of low pay. [31793]

Mr. Oppenheim: Since 1979, the real take-home pay of a single man in the bottom 10 per cent. of earnings has risen by £27 a week and that of a single woman in the bottom 10 per cent. has risen by £29 a week. We all want pay levels for the less well-off to rise even further but it has to be sustainable, based on improving productivity, efficiency and competitiveness. To suggest that pay can rise just by political diktat without improved productivity is dishonest and deceitful and would undoubtedly cost many people's jobs.

Mr. Jones: I am glad that the Minister has the same fervour and commitment to his policies as the former Secretary of State for Employment, but in the deregulated wage market of the global economy, what determines the base rate without a minimum wage? Malthus would have said that it was the level at which workers can just survive and do no more than perpetuate their own numbers. What would the Minister say the base rate should be? Is it 50p an hour? How low will the Minister go?

Mr. Oppenheim: I am not sure what the hon. Gentleman's base rate should be, but I am glad that he has bothered to turn up for questions today. The only sustainable way to improve people's earning power is to improve their education and training so that they are more productive and can earn more on a sustainable basis. The Labour party's policies are misguided. Even Sir Gordon Borrie, chairman of Labour's Social Justice Commission, wrote in *The Guardian* recently—*[Interruption.]*

Madam Speaker: Order. I insist that the hon. Gentleman stops barracking from a sedentary position. Mindless barracking gets the House nowhere. It does not advance the quality of our debate one bit.

Mr. Oppenheim: Sir Gordon Borrie wrote in *The Guardian*:

"The interesting question is at what level a minimum wage should be set. Too high a figure will cost jobs; too low a figure will not be worth having."

I could not agree more. No amount of waffle and double-talk can hide Labour's attempts to deceive the less well-off into thinking that there is an easy, cost-free way to raise pay. There is not. Labour is deceiving the less well-off.

Mr. Forman: In the interests of maintaining Britain's global competitiveness—a very important national interest—does my hon. Friend agree that, in so far as it is necessary to use social transfers to support those on low pay, family credit and similar forms of benefit support are much better than the minimum wage, which could distort and prejudice our competitive position?

Mr. Oppenheim: My hon. Friend is absolutely right. The best way to improve living standards for everyone, particularly the less well-off, is to improve the productivity, efficiency and competitiveness of the British economy. It is because we are now so much more efficient and productive than we were in 1979 that pay at all levels has risen substantially, not least for the less well-off.

Ms Rachel Squire: Does the Minister agree that it is waffle and double-talk to oppose a minimum wage while the Government spend £2.4 billion subsidising sweatshop pay through the benefits system? Does the Minister further agree that it is an insult to the people of Dunfermline and west Fife and of many other communities that the Government's only reward, when there is a desperate need for decently paid jobs, is to spend another £75 million on an additional top-up earnings benefit, rather than provide productive work?

Mr. Oppenheim: One of the biggest myths in the Opposition's campaign for a minimum wage is that it would get rid of all in-work benefits, yet the Opposition spokesman was told recently by Andrew Dilnott, head of the Institute for Fiscal Studies, that even a minimum wage of £8 per hour would leave many people claiming income support. If it is now Opposition policy to get rid of all in-work benefits, they should say so.

PRIME MINISTER

Engagements

Q1. **Sir Michael Neubert:** To ask the Prime Minister if he will list his official engagements for Tuesday 11 July. [31811]

The Prime Minister (Mr. John Major): This morning I had meetings with ministerial colleagues and others. In addition to my duties in the House, I shall be having further meetings later today.

Sir Michael Neubert: Has my right hon. Friend had time to study yesterday's debate in *Hansard*—and not just my speech? Is he aware that, on the very day when the Leader of the Opposition was refusing to put a figure on a national minimum wage, his Social Security spokesman was assuming a rate of about £3 or £3.50 in the House?

The Prime Minister: I have not yet read *Hansard,* but clearly I had better look at it very carefully, and I will. I did not know that which my hon. Friend stated, but if it is the case, I strongly suspect that the Leader of the Opposition knows that a minimum wage is economic nonsense but that he regards it as politically expedient. I hope that the right hon. Gentleman will make clear one day precisely the figure that he has in mind; he certainly owes it to the public to do so. Perhaps he will soon tell us.

Mr. Blair: Does the Prime Minister agree in principle that Members of Parliament should disclose their earnings from outside consultancies?

The Prime Minister: The right hon. Gentleman knows that a Select Committee is examining that matter. The Committee has reported, and I will do it the courtesy of awaiting its report.

Mr. Blair: That was the recommendation of the right hon. Gentleman's own Committee. Does he accept the principle or not: yes or no?

The Prime Minister: I told the right hon. Gentleman that I asked a Select Committee to examine the issue. When it has done so, I will deal with the matter.

Mr. Blair: Is the Prime Minister really saying that the Committee cannot come up with an answer in eight weeks, or is it just a coincidence that the main recommendation on which it cannot agree a definition happens to be the main recommendation to which Conservative Members object? Is it not time that the Prime Minister asserted his authority? The Nolan report is the right hon. Gentleman's report. He commissioned it and said that he accepted it, and he should ensure that the Government implement it in full without further delay.

The Prime Minister: The right hon. Gentleman's attempt to use this report as a political football is pretty transparent and pretty shabby. He knows that the Select Committee has made excellent progress. It has met 14 times in 14 days—more intensively than any Select Committee has met before. It is still considering these matters. It will report and then the House will make its decision, as I have said from the outset, on matters relating to Back Benchers.

Q2. **Mr. Patrick Thompson:** To ask the Prime Minister if he will list his official engagements for Tuesday 11 July. [31812]

The Prime Minister: I refer my hon. Friend to the answer I gave some moments ago.

Mr. Thompson: Does my right hon. Friend recall that some 10 years ago the newspapers were obsessed with the money supply, trade figures and days lost through strikes? Is it not a tribute to this Government that the number of days lost through strikes last year was only 1 per cent. of the number lost in 1979? Is not the Leader of the Opposition somewhat naive to claim that the unions no longer have an armlock over his party, when old Labour is still waiting in the wings to support strikes and organise "boyocotts"?

The Prime Minister: As a wise old policeman once said, there is no need for an armlock when the suspect comes along quietly. The right hon. Member for Sedgefield (Mr. Blair) has already offered the unions most of what they want—the social chapter, a minimum wage, new trade union rights—while his Front-Bench team enjoys the sponsorship of all trade unions. I think that, almost without exception, his Front-Bench team is sponsored in one form or another.

Mr. Ashdown: Does the Prime Minister agree that, at this precise moment, the United Nations' ultimate will is being tested by the Bosnian Serbs in Srebrenica and that, on this occasion, if that will fails the United Nations' mission in the front-line areas of Bosnia is likely to fail with it?

The Prime Minister: The right hon. Gentleman is clearly referring to the situation in Srebrenica. I can certainly confirm to him and the House that the situation is very serious. UN commanders on the ground have asked the Bosnian Serbs to release the UN protection force's troops whom they have been holding and to halt their offensive.

I can confirm to the House and to the right hon. Gentleman that that has not yet happened and that, at the direct request of UN commanders on the ground, close air support operations have been carried out by NATO aircraft near Srebrenica. It was in their operational judgment that air support was necessary for the protection of the contingent in Srebrenica as a result of the fact that the Bosnian Serbs had ignored the clear warnings given. I believe that the UN commanders on the ground were right. They deserve and will receive the full backing of this Government for their action.

The situation in Srebrenica is certainly very serious indeed at the moment. Unless the warring parties are prepared soon to indicate that they are prepared to return to some form of discussion to reach a political settlement, there is no doubt that continuing fighting will put the future presence of the United Nations forces at risk.

Mr. Robert Jackson: Does my right hon. Friend recognise the widespread dismay among scientists and in universities at the transfer of the research councils to the Department of Trade and Industry? Will he confirm that his Government will continue to value fundamental

research? Will he confirm that the research councils will continue to sustain the dual support system of university funding? Will he undertake to reconsider this decision, which abruptly overturns a policy developed after widespread consultation and announced in a White Paper only two years ago?

The Prime Minister: I can confirm to my hon. Friend that the role of the Office of Science and Technology is unchanged and that it will continue with the role that it has had over recent years. The transfer implies no reduction in our commitment to fundamental research or to the dual support system, and our policies remain as set out in the White Paper two years or so ago. That will continue, as will the technology foresight process.

The purpose of the transfer is to strengthen—not weaken, but to strengthen—the contribution of science, engineering and technology to long-term wealth creation. With that in mind, the office is best situated in the Department of Trade and Industry.

Q3. **Mr. Dowd:** To ask the Prime Minister if he will list his official engagements for Tuesday 11 July. [31813]

The Prime Minister: I refer the hon. Member to the answer I gave some moments ago.

Mr. Dowd: Following the sorry spectacle of the Tory leadership election and the worn-out ritual of the reshuffle, may I congratulate the Prime Minister on retaining his post in the Government now run by the right hon. Member for Henley (Mr. Heseltine)? When are we to be told what the First Secretary of State's responsibilities are? When are we to have an opportunity to ask the First Secretary of State oral questions? Why after five years has the Prime Minister decided that he needs a deputy? If he does need such an insurance policy, why should the taxpayers have to foot the bill?

The Prime Minister: My right hon. Friend the First Secretary will support me across the full range of Government policies. He will have direct control over Government policy on competitiveness and deregulation, and he will answer questions in the House. He has a reputation for straight talking, as has the deputy leader of the Labour party. Indeed, both my right hon. Friend and the right hon. Gentleman have a reputation for robustly attacking the Labour leader, and I expect that to continue.

Mr. Yeo: May I return to the crucial subject of the minimum wage? Does my right hon. Friend agree that those who support it must be so desperate to suck up to their trade union paymasters that they do not care how many British jobs they destroy in the process? Does he also agree that any political party that advocates a minimum wage but cannot agree on what it should be is utterly unfit and unready for government?

The Prime Minister: There seems to be some uncertainty and dithering about the minimum wage on the Opposition Front Bench. The Labour leader smiles; he may well smile, but I should rather hear an answer to the question "What will the minimum wage be?" than see him smile.

The Labour leader has said:

"Econometric models indicate a potential jobs impact."

What he means is that there will be job losses as a result of a minimum wage. The deputy Labour leader—engaging in the straight talking to which I referred a moment ago—has said there would be a jobs

"shake-out . . . any silly fool knew that."

What he means is that there will be job losses. I know that; the right hon. Gentlemen know that; and the whole House knows that. As soon as we are told what the minimum wage will be—a point on which the Labour leader dithers and cannot make up his mind—we shall be able to calculate how many people will lose their jobs.

Q4. **Mr. MacShane:** To ask the Prime Minister if he will list his official engagements for Tuesday 11 July. [31814]

The Prime Minister: I refer the hon. Member to the answer I gave some moments ago.

Mr. MacShane: Will the Prime Minister join our Commonwealth partners, Australia and New Zealand, in their opposition to the nuclear bomb tests in the Pacific?

The Prime Minister: No, I will not.

Mr. Dykes: If my right hon. Friend has time in the course of his busy day, will he send warm congratulations to the RUC in Northern Ireland on the sturdy way in which it has stood up to the wilder elements among the Orangemen? Is it not about time that these provocative and silly historical marches were banned?

The Prime Minister: I congratulate the RUC on its restraint and professionalism in dealing with those incidents—and, indeed, with other recent incidents. I believe that it deserves the whole-hearted support of all hon. Members and all responsible leaders in Northern Ireland.

Q5. **Mr. Jamieson:** To ask the Prime Minister if he will list his official engagements for Tuesday 11 July. [31815]

The Prime Minister: I refer the hon. Member to the answer I gave some moments ago.

Mr. Jamieson: Does the Prime Minister recall making a solemn promise in March 1993 to take action in regard to spiralling water charges in the south-west, where prices have doubled in the past two years? After two years of pondering the problem, will he tell the House how he will help consumers in the south-west—or is that another matter that he has referred to the Deputy Prime Minister?

The Prime Minister: Perhaps the hon. Gentleman will ask his right hon. and hon. Friends whether they will cease pressing the Government to maintain the high standards of cleanliness and improvement in those waters that is giving rise to the charges. Perhaps the support given by his right hon. Friend the Leader of the Opposition for European directives will indicate that he does not wish us to disobey the directives with which we are dealing. We have sought to cut charges by rearranging the speed of

the capital expenditure that is taking place to assist people in the west country; that is the only way in which it is practicable to help.

Q6. **Mr. John Marshall:** To ask the Prime Minister if he will list his official engagements for Tuesday 11 July. [31816]

The Prime Minister: I refer my hon. Friend to the answer I gave some moments ago.

Mr. Marshall: Will my right hon. Friend contrast his policy of improving services on the Northern line through increased investment with that of Jimmy Knapp of disrupting those services?

The Prime Minister: My hon. Friend makes a good point, but there is a wider point. The hon. Member for Plymouth, Devonport (Mr. Jamieson) spoke up for water consumers. Why do he and his colleagues not speak up for rail passengers? Why are Opposition Members happy to support strikes on British Rail while they parade around claiming to be in favour of the consumer? The reality is that the National Union of Rail, Maritime and Transport Workers' call for a strike on the underground—*[Interruption.]* I do not know which Opposition Front-Bench Member shouted then, but perhaps he or she is sponsored by the RMT. The RMT's call for a strike on the underground will damage the progress that has been made by London Underground and will cause unnecessary misery and disruption to passengers. I return to the central point. How can the Opposition claim to speak for consumers while they ignore rail passengers and leave them to face the strikes without a single word of condemnation from their Front Benchers?

Ministerial Visits

Q7. **Mr. Donohoe:** To ask the Prime Minister when he next expects to visit Ayrshire. [31817]

The Prime Minister: I have no current plans to do so.

Mr. Donohoe: I am sure that the people of Ayrshire will be glad of that. May I turn the Prime Minister's attention to the national health service and, in particular, to Ayrshire and Arran health board's idea of taking all its services into the private sector and allowing companies from the United States to come in purely on the basis of profit? What has the Prime Minister got to say about that? How can he possibly say that the health service is safe in his hands?

The Prime Minister: The hon. Gentleman knows, or should know, of the increased resources for the health service, the 1 million-plus extra patients treated by the health service and the better services being provided by the health service. He seeks yet again to trade politically on a health service that he knows is improving and is providing a better service than at any stage in the past—and a better service than any Labour Government could provide for the people of this country.

French Nuclear Testing

3.31 pm

Mr. Tam Dalyell (Linlithgow): I beg to ask leave under Standing Order No. 20 to discuss a matter of definite public importance, namely French nuclear testing in the Pacific. You will know, Madam Speaker, that this is a genuine and meant request for a debate, and not posturing or flag-waving. I have sent you a copy of a debate from 2 July 1973, in which I moved the motion on behalf of the official Opposition:

"That this House deplores the failure of Her Majesty's Government to make adequate protests to the Government of France for ignoring the decision of the International Court at The Hague on nuclear testing, and supports the two Commonwealth Governments of Australia and New Zealand in their opposition to impending tests in the Pacific."—[*Official Report*, 2 July 1973; Vol. 859, c. 47.]

I would have preferred this request for an emergency debate to have come from the Opposition Front Bench, rather than from me as a Back-Bench Member.

As the year 2000 approaches, it is desperate that a western European country should, without consultation of any kind, unilaterally impose a potentially catastrophic act on colonial territory on the other side of the world. In the south Pacific, an indigenous people's opinion has been brushed aside, and a hard-won status quo on the most dangerous of all weapons in a dangerous world has been brushed aside with it.

That France may not care about its image abroad is one thing. It is another thing altogether that a country should defy an international moratorium and, by baleful example, encourage others to do so.

It is this defiance that makes it so urgent that the House of Commons should make a judgment this very week. As one of the four remaining Labour Members who voted to go into the Common Market with the right hon. Member for Old Bexley and Sidcup (Sir E. Heath), I am entitled to say that France's European allies have shamefully underestimated the issue, in contrast to the loud and impotent outrage in Australia, New Zealand and Polynesia.

The matter is important. An apologist for France said on the "Today" programme that not one fish would be harmed. That is arrant nonsense. Apart from anything else, those who cause explosions in coral atolls had better be careful what they do. Professor Ghillean Prance, the director of Kew gardens, is only one of the witnesses who says that there is interbreeding between the coral atolls of the entire Pacific area—

Madam Speaker: Order. The hon. Gentleman is now getting into a debate instead of making an application to me, and his time is up. However, I have listened most carefully to what he has said, and I have to give my decision without stating any reasons. I am afraid that I do not consider that the matter that he has raised is appropriate for discussion under Standing Order No. 20 and I therefore cannot submit his application to the House.

BILL PRESENTED

Pardon for Soldiers of the Great War

Mr. Andrew Mackinlay, supported by Mr. Peter Bottomley, Mrs. Gwyneth Dunwoody, Mr. Don Dixon, Mr. John Hume, Mr. Ken Maginnis, Rev. Ian Paisley, Mr. Allan Rogers, Mr. Alex Salmond, Sir David Steel, Mr. Dafydd Wigley and Mr. Paul Flynn, presented a Bill to provide for the granting of pardons to soldiers of the British Empire Forces executed during the Great War of 1914 to 1919 following conviction for offences of cowardice, desertion or attempted desertion, disobedience, quitting post, violence, sleeping at post, throwing away arms or striking a superior officer; and for connected purposes: And the same was read the First time; and ordered to be read a Second time upon Friday 14 July, and to be printed. [Bill 161.]

Points of Order

3.35 pm

Mrs. Ann Clwyd (Cynon Valley): On a point of order, Madam Speaker. I am sorry to raise a point of order for the second time, but a Minister who admitted in private having misled the House and misrepresented a Member of the House yesterday, has refused to apologise publicly for an offence committed in public. I say that especially because the BBC allowed the untruth to be repeated on the radio this morning. It was suggested that I had acted dishonourably, so it is important to me that the matter be put right publicly. I ask you, Madam Speaker, as the custodian of Back-Bench interests, to remind the Secretary of State for Wales, who is a comparatively new Member of the House, that he should respect the courtesies of the House and tell the truth.

The Secretary of State for Wales (Mr. William Hague): Further to that point of order, Madam Speaker. As the hon. Member for Cynon Valley (Mrs. Clwyd) knows, I have already written to her on the matter. I received a suggestion yesterday that she would seek to raise a particular matter during Welsh questions. Having looked into the matter, I accept the fact that the suggestion came not from her but from one of her constituents. She is right to expect an apology from me, and I have already given her one. Equally, her constituent was right to expect that she would be in the Chamber to represent his interests. Other constituents throughout Wales were also right to expect their Members of Parliament to be here to represent their interests. Welsh Labour Members have brought nothing but ridicule upon themselves by their failure to be here to do what they are elected to do.

Mrs. Alice Mahon (Halifax): Further to that point of order, Madam Speaker. Can you help me concerning the protocol of giving an apology in the House as the Secretary of State for Wales has just done? Is it appropriate and proper that, having unreservedly apologised, he should then abuse the House by going off into a diatribe about something that has nothing to do with the matter in hand?

Madam Speaker: We must leave that matter where it is at the moment, but I expect apologies in public if some misunderstanding has taken place, as obviously happened in this case. We must leave it there now.

Mr. Gordon Prentice (Pendle): On a point of order, Madam Speaker. As a member of the Select Committee examining the Channel Tunnel Rail Link Bill, I ask whether you have seen reports in the press today suggesting that Government policy is to be reversed, because Ministers are balking at the notion of increasing public subsidy for Eurorail, which is run by the Prime Minister's friend Lord Parkinson. Those press reports are potentially damaging to the work of the Select Committee. If there is a change in Government policy surely the Secretary of State for Transport should come to the House and explain exactly what the position is.

Madam Speaker: I make no comments on press reports, but of course I expect that whenever there is an important change in Government policy, on whatever issue, a statement should be made from the Dispatch Box so that we are all clear about it.

Mr. Alan Simpson (Nottingham, South): On a point of order, Madam Speaker. On a similar matter reported in the press today, there was a suggestion that the change in Government policy—

Madam Speaker: Order. Ministers may comment on press reports, but since I entered the House more than 20 years ago I have made it a rule, both as a Back Bencher and as Speaker, not to comment on press reports, so the House must not ask me to do that now. If there is a point of order for me as Speaker to deal with I shall deal with it, but I do not want to hear about press reports.

Mr. Simpson: I intended, Madam Speaker, to ask for a statement to be made to the House about whether there is to be a change in Government policy on the imposition of tax on church bells. The House wants to understand whether that is part of a sleaze story about Government bonging or whether another political clanger has been dropped, so we would like to know whether the Secretary of State will make a statement to the House.

Madam Speaker: An amusing comment and a good try, but not really a point of order.

Mr. Jacques Arnold (Gravesham): Further to that point of order, Madam Speaker. Is it really in order that there should be a statement on press reports that are quite false, because on the Channel Tunnel Rail Link Bill, we in north-west Kent asked a question and got a clear answer from the Ministers that these press reports are rubbish?

Madam Speaker: That is why I never comment on press reports. I think that that is a very good policy to adopt.

Statutory Instruments, &c.

Madam Speaker: With permission, I will put together the motions on statutory instruments.

Motion made, and Question put forthwith pursuant to Standing Order No. 101(3) (Standing Committees on Statutory Instruments, &c.),

ROADS AND BRIDGES (SCOTLAND)

That the Roads (Transitional Powers) (Scotland) Order 1995 (S.I., 1995, No. 1476) be referred to a Standing Committee on Statutory Instruments, &c.

MERCHANT SHIPPING

That the Fishing Vessels (Certification of Deck Officers and Engineer Officers) (Amendment) Regulations 1995 (S.I., 1995, No. 1428) be referred to a Standing Committee on Statutory Instruments, &c.

That the Merchant Shipping (Certification of Deck and Marine Engineer Officers) (Amendment) Regulations 1995 (S.I., 1995, No. 1429) be referred to a Standing Committee on Statutory Instruments, &c.—[*Mr. Streeter.*]

Question agreed to.

Railway Communities (Job Creation)

3.40 pm

Mr. Hugh Bayley (York): I beg to move,

That leave be given to bring in a Bill to make provision for the creation of alternative job opportunities in communities that have lost a substantial number of railway industry jobs since the passage of the Railways Act 1993; to empower Ministers to provide direct assistance to former railway industry employees seeking alternative employment; to encourage inward investment; to promote new business start-ups in railway communities and to provide new infrastructure for business premises in these communities; and for connected purposes.

I should remind the House that I am sponsored by one of the rail unions, RMT, but I speak today on behalf of many of my constituents in my union and others who are affected by rail privatisation.

Later today, on an Opposition motion, the House will debate the merits or otherwise of rail privatisation. I hope that I do not need to tell the House where I stand on that matter. My Bill does not argue for or against privatisation of the railways. It simply acknowledges that the House passed the Railways Act 1993, that the Act is being implemented and that it is causing a significant reduction in employment on the railways. My Bill seeks to reduce the impact on railway workers who have been made redundant and on the economies of railway towns.

There are quite a number of precedents for the Government taking action to replace jobs that have come about as a result of industrial restructuring. In 1984, the Government established British Coal Enterprise Ltd. to bring alternative employment to areas affected by pit closures. Since 1984, British Coal has made 143,300 people redundant. In the same period, British Coal Enterprise Ltd. says that it has created 123,600 new jobs. Some 57,244 jobs have gone to ex-miners, and another 66,000 to other people in mining communities. Similar programmes have been introduced in the steel industry.

When British Rail closed its Swindon works in the 1980s, the British Rail board invested £1.3 million in establishing an enterprise agency to bring new jobs to the town. I would not argue for a new agency for the railways if there was no need. Rail privatisation is still in its early stages, but already British Rail has made 13,600 workers redundant and thousands of other jobs have been lost in private sector rail manufacturing industries. In my own constituency, for example, since 1992 there have been 2,300 job losses. In 1992 there were 4,700 jobs. Since then, British Rail has declared 650 redundancies, and the private train builder, ABB, has made all 1,650 of its employees redundant.

Other railway jobs in York are at risk, too. British Rail's York office of the civil engineering design group will be privatised in a matter of weeks. The York office of a BR subsidiary, Signalling Control UK, is also to be privatised this year. So, too, are the two York-based infrastructure maintenance units, and the two York-based British Rail track renewal units. The east coast main line franchise is due to be let at the end of this year or the beginning of next year.

York needs help. We have already lost some 2,300 jobs as a result of rail privatisation. York is not an assisted area. We do not qualify for EU regional grants, for instance, under objective 2.

On the practicalities of my Bill, since 1984 British Coal Enterprise Ltd. has invested about £165 million. Roughly £100 million of that has gone on economic regeneration in coalfield communities and £65 million on the resettlement of miners in other jobs. In round terms, the 120,000 jobs created by British Coal Enterprise Ltd. have cost £1,350 each. At the present rate of attrition of railway jobs, the railways need to invest £10 million or £15 million a year, assuming that the cost of replacing railway jobs is broadly the same as that of replacing jobs in coalfield communities. It is not a great sum of money compared with the £700 million that railway privatisation has cost already.

British Coal Enterprise Ltd. is a subsidiary of British Coal. I suggest that the British Rail board could and should establish a subsidiary, which might be called British Rail Enterprise. Of course, there is a chance that this Bill will not reach the statute book, but there is no reason why the Government cannot act without legislation. There is no statutory basis for British Coal Enterprise Ltd.

Rail privatisation has come about as a direct result of Government policy. Large-scale job losses in the railway industry have come about as a direct consequence of rail privatisation. The Government have an obligation to do as they have done in other industries that have been restructured as a result of Government policy, which is to invest in alternative employment in the areas most affected by the Government's rail privatisation policies.

Question put and agreed to.

Bill ordered to be brought in by Mr. Hugh Bayley, Mrs. Gwyneth Dunwoody, Mr. Peter Bottomley, Mr. Alan Williams, Mr. Alan Howarth, Mr. Malcolm Wicks, Mr. Alex Carlile and Mr. Keith Hill.

RAILWAY COMMUNITIES (JOB CREATION)

Mr. Hugh Bayley accordingly presented a Bill to make provision for the creation of alternative job opportunities in communities that have lost a substantial number of railway industry jobs since the passage of the Railways Act 1993; to empower Ministers to provide direct assistance to former railway industry employees seeking alternative employment; to encourage inward investment; to promote new business start-ups in railway communities and to provide new infrastructure for business premises in these communities; and for connected purposes: And the same was read the First time; and ordered to be read a Second time upon Friday 14 July 1995, and to be printed. [Bill 160.]

Opposition Day

[17TH ALLOTTED DAY]

Rail Network

Madam Deputy Speaker (Dame Janet Fookes): I have to announce that Madam Speaker has selected the amendment in the name of the Prime Minister.

3.47 pm

Mr. Paul Tyler (North Cornwall): I beg to move,

That this House deplores the impact of the privatisation threat on investment in the rail network and on deteriorating staff morale; and reiterates the need to retain Railtrack as a crucial public service in order to maintain and develop a co-ordinated national transport policy.

This debate is intended as a triple opportunity. First, it is an opportunity for the new Secretary of State, whom I very much welcome to the debate, to state his position on the privatisation of the rail system and on Railtrack in particular. Clearly, the House will want to know whether he shares the enthusiasm and optimism—indeed, the over-optimism—of his predecessors. I note with interest his contribution to a debate on public transport on 23 March 1990, which was introduced by his late colleague Mr. Robert Adley, whose views on privatisation we all recall. The Secretary of State said:

"more people are writing to their Members of Parliament—certainly those in London—complaining about conditions . . . they expect part of the greater wealth that has been created to be diverted to the improvement, modernisation and expansion of public transport in London, the south-east and in other parts of the country."—[*Official Report*, 23 March 1990; Vol.169, c.1395.]

In a few moments I shall be able to demonstrate that that simply has not happened. Let us hope that, now that he is in the elevated position of driver in the cab, he may be able to change the way in which British Rail and the rail system are driven.

Secondly, of course, this is an opportunity to help the Labour party off the fence, not just on the subject of strikes, on which they will no doubt want to make a statement, but on the future of the rail network. It is an opportunity to get them on board for a proper policy for the public ownership of the rail network.

Thirdly, and most importantly, the debate is a wonderful opportunity for Back Benchers on both sides of the House to express the concern, frustration and anger that our constituents are expressing to us about the way in which our great rail network is being dismantled before our very eyes.

Mr. Nick Hawkins (Blackpool, South): My constituents are annoyed and frustrated about the rail unions, which are determined to wreck their travel arrangements. What does the hon. Gentleman have to say about that, or is he an apologist like Labour's Front Benchers?

Mr. Tyler: Of course not. I am sure that hon. Members understand the frustration and anger of the staff in all parts of the rail system who are seeing their industry being dismantled. They are also seeing a huge waste of money which could be invested in better conditions for them, including better pay, as well as in improving the service. However, that is no excuse for taking industrial action and I agree that it is not helpful to the rail system, the rail customers or rail staff to take precipitate action—as, indeed, some other staff have made clear in the past few days. No doubt the spokesmen for the Labour party will wish to dissociate themselves from this industrial action as clearly and precisely as we do.

Mrs. Gwyneth Dunwoody (Crewe and Nantwich): I hope that the hon. Gentleman will not mind me asking whether it occurs to him that, when negotiations between employers and employees are taking place, the most useless and unhelpful thing that someone can do in the House—especially when he is not party to those negotiations—is to express his views in the terms that the hon. Gentleman has just used?

Mr. Tyler: When the hon. Lady's party was in government, I recall many previous occasions on which Labour Ministers did precisely that. I see no reason not to now.

We believe that a publicly controlled, publicly directed public service is not inherently inefficient. It can be extremely efficient. In particular, I pray in aid the Post Office. As a student of history, Madam Deputy Speaker, you will know that the Post Office was taken into public ownership by that great radical Charles I in 1635. After the disturbances of the civil war, it was re-established as a public service by Charles II by Act of Parliament in 1660.

There is no inherent reason why a useful public service should not continue to be of very considerable use to the public if it remains publicly controlled. However, what we cannot do with a modern railway system is to play trains with it. At present, our rail network in the British Isles is being disintegrated in a socially, economically and environmentally damaging way. No other country in western Europe would dream of doing that at this juncture because there are great opportunities on offer to an efficient public rail system. If it is to become a wholly private concern, even if regulated, we can look to what has happened in the other former utilities as a guide to what would inevitably happen to the railways.

Mr. Jacques Arnold (Gravesham): Would the hon. Gentleman care to comment on what British Airways was like—a sheer embarrassment to this country—while it was nationalised? Does he think that it is purely coincidental that, as a privatised entity, it is now considered to be the world's favourite airline?

Mr. Tyler: The hon. Gentleman selects but one previous utility. He should consider what ICI says about the cost of electricity. Privatisation does not necessarily result in greater competition or more effective management of a great public service. What is clear about British Rail is that the substantial improvements that were made in the 1970s and 1980s are being put at risk. I know that a number of hon. Members wish to contribute to this short debate, so I should like to make some progress.

Clearly, under the Government's present plans, the franchising director is only partly accountable to the public. Indeed, it is only when there is uproar in the House and among all the parties over issues such as through ticketing, that one is able to influence the way in which the passenger service requirements are implemented.

The role of Opraf is not to be a servant of public policy; it simply provides an opportunity for Ministers to pass the buck and put at arm's length their responsibility to the

[Mr. Tyler]

travelling public. No one is confident that standards will be met, let alone improved. Similarly, the price cap is hardly an effective and sensitive influence on the rail system.

We recognise that the core of an effective rail network is the track—the infrastructure—and therefore Railtrack. I shall concentrate for a few minutes on the role of Railtrack because I and my colleagues believe that it is the secret to the success of our future public transport system. The core must be publicly controlled and directed, and there must be a guarantee of homogeneity in the whole operation.

Privatisation has placed intolerable burdens on Railtrack. They include the corporate plan, which was due this summer—indeed, now—but which is still not forthcoming, and the timetable for modernisation of the west coast main line and the contract for signalling which are to be in place by the end of the year, which is highly unlikely; and enabling European Passenger Services to operate a public service to Manchester and Scotland through the channel tunnel by 1 January 1996. Again, that is a strain. It is asking the impossible while steps are being taken to create new structures throughout Railtrack and the operating companies.

If Railtrack were in private hands, which would be a fundamental fault because it would split the infrastructure from the management of trains and divide responsibility for their operation among many operators, it would fly in the face of the experience of all other member states in the European Union and, indeed, most other developed countries. Accountability would disappear.

Meanwhile, customers and staff are bewildered and confused by the way in which the system is being carved up. As the House knows, there are already some 100 bits to the jigsaw. The little green book, which some hon. Members may have seen, contains the most amazing array of maps which it is extremely difficult to follow. I had occasion to wish to write a complaint about a delayed train a couple of days ago, and it took several minutes to wade through the document to find out to whom I should complain.

Let us consider Gatwick, which is the means of entry into this country for a large number of visitors. Gatwick Airport Services Ltd. runs the station on a lease from Railtrack but there are five train operators going in and out of the station—Gatwick Express, InterCity Cross Country, Network SouthCentral, Thames Trains and Thameslink. Anyone who has been there recently and shared the experience of some visitors who are unfamiliar with our curious signs and curious language and our curious lack of anyone else's language will have discovered that it is impossible to find the appropriate train. Staff simply do not know what services are being provided by other companies. Hon. Members should test it for themselves—I bet that Ministers have not done so recently, unlike one of my colleagues.

The plethora of different information at Gatwick makes it impossible. One enters an apocalyptic world. For example, indicators are non-existent at platform level, and if one goes up to the higher level, one is in danger of missing one's connection. Nobody knows what is happening. With two sets of loudspeakers and conflicting information, it is impossible to know what is going on.

Let us consider another example. I have here a note on the railway services serving a particular constituency in the north-west of England which I visited yesterday and this morning—Littleborough and Saddleworth. The services provided in that constituency are, according to British Rail, partly

"a joint venture between Regional Railways North West and Greater Manchester PTE . . . and also between Regional Railways North East and West Yorkshire PTE".

The number of companies is so confusing that even the staff do not know who is responsible for the various services. In the past few days, my colleague in that constituency has conducted a survey of passenger opinion and he was not surprised to find that the huge majority of the travelling public in that area believe that services are getting worse as a result of the threat of privatisation. They do not share others' enthusiasm for that change. That survey revealed that nine out of 10 passengers believe that rail privatisation will cause services to deteriorate still further.

It is not just a question of reliability or punctuality, but, of course, of safety. As has been apparent from last week's report from British Rail and Railtrack's answers to questions put in previous weeks, the disintegration of the rail system is causing a reduction in concern about safety. Sadly, recent examples of that may underline that point.

I have already referred to the low morale of the staff. I am not suggesting that that is the sole reason for the current industrial unrest, but it is an important factor. That sense of frustration is not improved by the swathe of consultants, lawyers, accountants and merchant bankers who are picking over the intended structure of the RT operation.

We believe that the cost so far of privatisation is well in excess of £0.5 billion, about £550 million, and others have suggested today that that cost will increase to £700 million by the end of the year. How much better for that investment to be put into improved rail services—perhaps the channel tunnel rail link, which is of considerable importance to many hon. Members who represent the south-east, let alone to the future of freight services all over the country. I note that several Conservative Members have nodded in agreement.

As I said earlier, the background to the problem is that in 1992-93, investment in British Rail, excluding channel tunnel investment, stood at just over £1 billion. In the current year, that investment has fallen to £600 million. The danger is that, once that slide becomes even more exaggerated, it will be extremely difficult to make that investment level, let alone increase it.

Like that other monstrosity, the poll tax, rail privatisation will have to be dismantled, but at a great cost to the taxpayer. That will be a disgraceful waste of resources, which should be spent on investment in a better service.

Mr. Dennis Skinner (Bolsover): The hon. Gentleman, who speaks on behalf of the Liberal Democrats, is speaking against rail privatisation in almost an evangelical way. I would like to know when the change took place in the Liberal party's approach to rail privatisation, because some of us were opposed to it in principle long before we came to the House. We all know that the Liberal party was in favour of rail privatisation before the general election. The hon. Gentleman has given the impression that his party has always been against that policy, but when did that change take place? When did the Liberals discover the reality of privatisation?

Mr. Tyler: After that diatribe, I am not sure that I should accept the hon. Gentleman's compliment about evangelical fervour. If the hon. Gentleman had attended other debates on transport, he would know only too well that we have always supported the retention of the Railtrack infrastructure.

Mr. Skinner: No.

Mr. Tyler: Perhaps the hon. Gentleman does not understand the difference. If he travelled as often by rail as I do perhaps he would understand it. Railtrack controls the major infrastructure of the system and the Liberal Democrats have always supported it as a public service. If the hon. Gentleman ceases to heckle me, I will repeat that we see an opportunity—

Mr. Skinner: Accept the truth.

Madam Deputy Speaker: Order. I wish to hear the hon. Member for North Cornwall (Mr. Tyler) who has the floor, and not others who do not have it.

Mr. Tyler: I am grateful to you, Madam Deputy Speaker. The Liberal Democrats have always welcomed the possibility of private investment in individual services because we believe that such private finance will offer real benefits to those services. Indeed, the hon. Member for Bolsover may like to stay for slightly longer in the debate than he usually does and hear what the Labour Front-Bench spokesmen have to say, because he will find that they support me on that subject.

Mr. Skinner: I was here yesterday; you were missing.

Mr. Tyler: Railtrack is being sold off as an afterthought of the Government. As Christian Wolmar said in *The Independent* a few days ago, that was

"a sharp—and unannounced—change in policy. Railtrack privatisation did not even figure in the 1992 Conservative manifesto".

I do not know whether it figured in the Secretary of State's election address; perhaps he will tell us later. Mr. Wolmar continued:

"It also ties the Government to the type of rail privatisation . . . which has been widely criticised as unworkable . . . it seems the quick buck has been too much of an attraction—it may be a fatal one."

I suspect that that will not be the case immediately, but in the long run it will undoubtedly be one of the ways in which the public will regard the Government as more interested in private profit than in public service.

Mr. Skinner: Like you were.

Mr. Tyler: There is an argument, which no doubt Conservative Members will suggest is at the root of the issue, that other privatisations have worked, and they may quote examples. Neither assertion is correct.

In the first place, there has been no privatisation of a rail system in the world on that format, and certainly none that has been successful. Indeed, as I said earlier, there is considerable doubt about the effectiveness and the profitability, in terms of the overall public profitability, of the privatisation of many of the other utilities. I quote, for example, the opinion of Mr. Edward Brady of Imperial Chemical Industries in the *Financial Times* only 10 days ago. He said:

"We are paying . . . £50 million a year for electricity at Runcorn, compared with £30 million in April 1991, before the privatisation".

Tell him that privatisation is a wild success.

Similarly, the argument that other countries have taken that route is simply untrue. Ministers may have been deluded by comparisons made by Conservative central office, but unfortunately, Conservative central office remains woefully behind the times until the new incumbent reaches his desk. I hope that no hon. Members will quote the last brief prepared by Conservative central office; it is woefully out of date on all subjects, including the opinions of Opposition parties. No doubt, now that the right hon. Member for Peterborough (Dr. Mawhinney) is there, there will be a shake-up.

Sweden does operate a rail network with separate track and operators, but both halves are publicly owned and publicly controlled. It is we who should learn the lessons from abroad. At a recent channel tunnel initiative seminar organised by the Association of Metropolitan Authorities, Professor Reid of Birkbeck university described how French planning uses private and public utility projects, and he described how 51 per cent. publicly owned Societé Economie Mixtes—forgive my French—operates. It is obviously a good model that we could follow in this country with advantage.

We Liberal Democrats have a non-doctrinaire acceptance of mixed public and private investment partnerships. We believe that we should have a non-sectarian interest in seeking secure, well-planned, well-prioritised investment in railways, and we shall have no misgivings about maintaining a 49 per cent. private investment if that is found to be useful in the long term in a publicly owned and publicly controlled Railtrack.

However, I do not understand, I do not believe that the House will understand and certainly the travelling public do not understand, where the Labour party stands on that matter. There appear to be varying theses. The gospel according to St. Dunfermline, St. Holborn, St. Oldham and even St. Sedgefield appears to vary day by day.

I notice that the hon. Member for Oldham, West (Mr. Meacher) has joined us. I am delighted to see him, because I can quote back to him something that he said on BBC Radio 4 on 10 January 1995:

"If you're asking me to set out at this moment in time exactly what we would do, I cannot sensibly give that answer".

I hope that this afternoon he may give that answer, either sensibly or insensibly. I shall return to the Labour party later.

The Tories are obviously split too. Many of them share and have expressed the misgivings of the late Robert Adley, who, as the House will recall, described privatisation as the poll tax on wheels. The enthusiasm for his Conservative successor in Christchurch resulted in a huge Liberal Democrat swing and victory.

Our plans for Railtrack are simple. We want to see the basic railway infrastructure in public hands. Once that statement has been made and once the Labour party come on board, we believe that it is highly unlikely that the Government will be able to pursue, helter-skelter, their present plan to privatise Railtrack by April next year. It will not be an attractive proposition for the City, as there are far better things for the institutions to invest their money in. Why should they take on the liabilities of Railtrack when they can see much more interesting projects in which to invest their money?

The trading value of Railtrack has plummeted since it was first suggested as a privatisation plum. It was originally suggested that it might be £6.5 billion, but now

[Mr. Tyler]

the figure has fallen way down and is more in the region of £1.5 billion—even before the declaration of principle from the Labour party, which I hope and expect this afternoon.

If Railtrack is privatised before the next election, we would support any steps necessary to re-acquire a majority holding at the issue price or the market price, whichever was the less, so there would be no profit to anyone who invests on that risk basis. If the sell-off is postponed, as it is likely to be, there is no cost. The cost to the nation and the Government is nil. That is why it is so important to make that statement now.

The repurchase can be spread over a number of years by means of a bond so that it would not suddenly be a blip in the public sector borrowing requirement over the first year or two of the lifetime of a Parliament. It will then be open to the Government—generally, nationally, regionally and locally—to determine access charges and investment priorities in furtherance of other priorities.

I hope that the Labour party's position will be clarified by today's debate and we are glad to give Labour Members the opportunity to do so. The Labour party's current plans are confused, confusing, and certainly counter-productive to achieving progress. We know that the Labour party faces dissention from among the ranks of its traditional supporters in the unions. A few days ago the RMT president said:

"The Labour Party should understand and commit themselves in government to a railway, publicly owned, publicly accountable and run in the public interest.

Proper forward planning and an expansionist budget would

"achieve the fully integrated transport system this country needs."

However, the Labour party's transport policy has yet to be hammered out. As "Rail Privatisation News" recently reported:

"When Rail Privatisation News suggested to Party insiders that a commitment to keep Railtrack in the public sector would be both electorally popular and appease the Party's left wing membership, the response was that 'these things are settled in the Leader's office'".

The hon. Member for Bolsover (Mr. Skinner) is listening intently—I hope that he is taking due note as he may need to make representations.

Mr. Skinner: As I was earlier trying to explain to the hon. Member for North Cornwall (Mr. Tyler), who speaks for the Liberal Democrats, the Labour party has a long tradition of being in favour of public ownership of the railways. When we get back into power, we shall take back the railways. If it was left to me, I should take them back without compensation, and would not give a penny piece of compensation.

Mr. Tyler: I see that the hon. Member for Oldham, West, who is listening intently to the rebellion in his ranks, is amused by that statement.

I believe that this afternoon, by endorsing our guarantee to the travelling public to retain Railtrack as a public service, the Labour party could give one signal and, by so doing, avert the derailment.

I know that other hon. Members wish to contribute, so I shall be brief. In conclusion, let us heed the words of John Welsby, the chairman and chief executive of British Rail, who, last week, in his statement at the front of the annual report, said:

"investment in the existing railway is not at a satisfactory level, and will not sustain the industry in the long term."

We should mark his words. He continued:

"It is important that fragmentation is not allowed to become an obstacle to worthwhile investment".

I submit to the House that they are wise words from the people who carry real responsibility for the rail system in this country. I hope that hon. Members on both sides of the House will support us and them tonight.

4.14 pm

The Minister for Railways and Roads (Mr. John Watts): I beg to move, to leave out from "House" to the end of the Question and to add instead thereof:

'believes that privatisation offers the best opportunity for reversing the historic decline suffered by the railway system under nationalisation; and further believes that the privatisation of Railtrack offers the best future for Railtrack, and for passengers and freight users, by making greater use of private sector skills in managing the network and in providing greater scope for private capital investment in the upgrading of the railway system.'.

It is interesting to watch the Labour Front Bench gradually fill up as the debate develops. That is obviously occurring because of the severe challenge to the Labour party's position from the Liberal Benches. If I were the right hon. Member for Sedgefield (Mr. Blair), I would be shaking in my shoes in view of the skilful way in which the Liberal party's stance has changed. While the right hon. Member has been learning Tory phrases, pretending to adopt Tory values and borrowing—I could say "stealing", but that would have no place in the modern Labour party—our clothes, he is being outflanked on the left by the Liberals.

It used to be said that the centre ground was the battlefield of British politics. But as the Labour party has grabbed at our coat tails and tried to scuttle to the right, the Liberals have occupied the vacant turf to the left. The Liberal Party is now the only party that is prepared to stand up for nationalisation. Perhaps it is merely paving the way for even closer union between the Labour and Liberal parties, or perhaps it is simply nostalgia for the halcyon days of the Lib-Lab pact—I leave it to hon. Members to judge.

The motion moved by the hon. Member for Cornwall, North (Mr. Tyler) refers to

"the privatisation threat on investment in the rail network".

Let us examine the facts, as we have done in the past. During the period in office of the last Labour Government—who were sustained in office by the votes of the Liberals—investment in the railway averaged £924 million per year in current prices. In a comparable four-year period from 1990-91 to 1993-94, investment averaged £1,350 million—no less than 46 per cent. higher than under the investment policies supported by the Liberals when they last had an opportunity to contribute to sustaining a Government in office.

Mr. Michael Meacher (Oldham, West) *rose—*

Mr. Watts: I shall give way to the hon. Gentleman, although I know what he will say.

Mr. Meacher: I am glad that the hon. Gentleman knows what I intend to say. In looking at the record of recent years, he ended significantly at 1993-94. Would he like to give the House the figure for investment in the rail network—excluding the channel tunnel—in 1994-95?

Will he confirm that that figure, at £617 million, is far and away the lowest investment figure in real terms since the war?

Mr. Watts: I am happy to confirm that, following the years to which I have referred, investment last year and in the current year continues at around £1 billion. I will not accept the hon. Gentleman's invitation to ignore the substantial investment in international rail services. Is he suggesting that they are not part of the rail network?

Mr. Jacques Arnold (Gravesham): As to investment by British Rail, and therefore by the Government, is my hon. Friend aware that the people of Kent are extremely grateful for the hundreds of millions of pounds that are spent on new Networker rolling stock—as my constituents who commute to London prove every day?

Mr. Watts: My hon. Friend makes a very strong point.

I will not be tempted by the hon. Member for Oldham, West (Mr. Meacher) to ignore the substantial investment in international rail services any more than any other business, in announcing its performance, would say, "We've invested X billion pounds, but let's forget about all of our investment in developing a new business. Let's forget about the £400 million spent on upgrading track to provide better freight services through the channel tunnel, which is allowing rail freight to compete with long-distance road haulage—for example, runs from Glasgow to Milan now take 36 hours by rail and 72 hours by road. Let's forget about all of the investment in our new business, and let's pretend that the old business is all that matters and that that is all we must contend with".

In his concluding remarks, the hon. Member for North Cornwall referred to the comment by the chairman of British Rail in his last annual report, that, in his opinion, the level of investment in the year on which he was reporting was insufficient to sustain the rail network. The hon. Gentleman will recognise that the chairman of British Rail was referring mainly to investment, which will remain the responsibility of Railtrack, but let us leave that on one side and consider the regime within the arrangements that we have established for the privatised railway to ensure that there is sufficient funding for the necessary investment to sustain the core network.

Mr. Tyler: Is the Minister somehow suggesting that investment in Railtrack's responsibilities is a lesser priority than investment in British Rail? If that is the case, it is in direct contradition to what Railtrack is saying, which is that it now has a major problem with the hiatus in investment in basic maintenance to ensure that speed and weight restrictions do not have to be imposed on services, and to maintain safety standards.

Mr. Watts: No. On the contrary, Mr. Welsby and I agree with the hon. Gentleman that the major investment priorities for the railway are now in the infrastructure. That is why the regime approved by the regulator provides for access charges to provide funding for Railtrack's investments to run at around £600 million a year—the level judged necessary to maintain the existing core network.

If the hon. Gentleman were to discuss Mr. Welsby's comment with him, he would not suggest that British Rail needs more funding for investment. Indeed, he has told us on many occasions that there is currently no business case for further investment by British Rail in rolling stock, and that the need for investment is in the infrastructure. That is where the major part of the investment is going.

Mr. Hugh Bayley (York): The manager of the Network SouthEast service that would have got the York trains, had they been ordered, argued strongly with the British Rail Board that there was a business case for investment. The Prime Minister's motion says that privatisation will provide

"greater scope for . . . upgrading the railway system."

If the Minister believes that to be true, will he explain how the nationalised railway has managed to invest £800 million in electrifying the east coast main line, but the private sector has not been able to bring on stream the channel tunnel link?

Mr. Watts: First, I find it gratifying that, in the new atmosphere running through the rail industry, the directors of train operating companies strongly advocate the needs of their passengers. I am sure that, when passenger operating companies are in the private sector, that advocacy of the standard of service that they want to deliver to their passengers will be heard even more strongly.

Secondly, the hon. Gentleman picks up some points from misleading articles in the press today that the Member for Pendle (Mr. Prentice) sought to raise with Madam Speaker as a point of order. That speculation is totally without foundation. It is far from the case that the private sector will prove incapable of delivering the channel tunnel rail link, but the hon. Gentleman will have to wait for the competition currently under way to be brought to a conclusion. I accept that the hon. Gentleman will probably wish to be a doubting Thomas until I can show him proof.

Mr. Charles Kennedy (Ross, Cromarty and Skye): As the Minister is dealing with current issues, and particularly as the newly promoted Minister of State, Scottish Office, is on the Front Bench, will he explain the position vis-a-vis the new Secretary of State for Scotland?

In Edinburgh today, the Scottish Office has been briefing the press that the new Secretary of State is to call in John Ellis, director of ScotRail, in a fresh political intervention over the future of Scottish-Anglo sleeper links. Will the Minister confirm that the Secretary of State for Scotland has made that intervention? Is there a change of policy? What discussions, if any, have there been between the new teams under the Secretaries of State at the Department of Transport and the Scottish Office?

Mr. Watts: My right hon. Friend the new Secretary of State for Scotland has picked up on the close interest in the future of Scottish rail services shown by his predecessor, who is now President of the Board of Trade. I understand that my right hon. Friend the Secretary of State for Scotland is having discussions with ScotRail. I doubt that the hon. Gentleman is surprised, knowing my right hon. Friend.

I was referring to the regime of track access charges approved by the regulator, which will provide Railtrack with the funding necessary to invest about £600 million a year to sustain the quality of the existing network. In the current year, Railtrack expects to invest more than £700 million—an increase of one fifth over its expenditure in

[Mr. Watts]

the past year. The hon. Member for North Cornwall mentioned the west coast main line. This Friday, Railtrack intends to invite tenders for the development of a new state-of-the-art signalling system that is the key to the £900 million project to upgrade the west coast main line.

I have been trying hard, but I have not yet detected where the so-called

"privatisation threat on investment in the rail network"

is having an impact. If Railtrack were left as a nationalised industry, as the Liberals clearly want and as some members of the Labour party might want—and the hon. Member for Bolsover (Mr. Skinner) undoubtedly and definitely does want—Railtrack would continue to be subject to the constraints of public expenditure controls. It would have to compete year after year with bids from health, education, social services and so on. We all know that, whichever Government are in power, they never have a bottomless purse. If Governments act as if they do, that has a deleterious effect on our fellow citizens as taxpayers.

One main advantage of a privatised Railtrack is that it will be freed from those constraints, be free to make commercially driven investment decisions and have much wider access to private capital for investment in the upgrading of the railway system.

The hon. Member for North Cornwall expressed doubts about the structure that we have chosen, saying that the pattern was not well received or likely to be adopted in other countries. When I attended the recent European conference of Transport Ministers in Vienna, considerable interest was shown by our partners—to the extent that the Austrian Minister who hosted the conference invited me to give a paper on railways restructuring. It is clear that we are the market leader in setting the structure for a railway system for the 21st century.

The hon. Member for North Cornwall gave his party's views on the future of Railtrack. Our policy is crystal clear. Railtrack is to be sold by stock market flotation within the lifetime of this Parliament. The national railway network will remain as an integrated system, providing the train paths required by passenger and freight train operators.

The right hon. Member for Yeovil (Mr. Ashdown) started his assault on traditional Labour territory, in a recent speech in Perth.

Mr. Charles Kennedy: It was not that recent.

Mr. Watts: It was not that long ago. The right hon. Gentleman said:

"Unlike the Labour Party, the Liberal Democrats won't just criticise the Government for its plans".

There is the challenge for the hon. Member for Fife, Central (Mr. McLeish). He knows what he must say in his reply, because the hon. Member for North Cornwall told him. The right hon. Member for Yeovil continued:

"We will guarantee that, if privatisation goes ahead, we will put our rail infrastructure back under public control."

There were no empty, uncosted promises. He named his price. He is obviously a much more confident forecaster of the stock market than I would want to be. Although he did not use the word, he said that the cost of fulfilling that promise would be a snip:

"£200 million a year for five or six years."

Mr. Kennedy: He did not say that.

Mr. Watts: He said £200 million a year. If the hon. Gentleman would like to read his leader's speech, I have it here. I accept that "snip" is my word, but I think that it indicates the right hon. Gentleman's attitude. He said that such action would cost £200 million a year for five or six years, and he went on to say:

"Given that the government's total spending bill is £300,000 million a year, £200 million is perfectly affordable. Indeed, it is cheap".

There we have it.

Mr. Tyler: I do not think that the Minister heard my point. If Railtrack does not go into the private sector before the general election, does he concede that the price of buying it back would be nil?

Mr. Watts: In the unlikely event that the right hon. Member for Yeovil formed a Government, and we had privatised Railtrack—as we intend to—the Treasury would have received the money. The net cost in either event would be nil.

In the spirit of conciliation, I shall try to agree with the right hon. Gentleman on one point. He was right to say—I heard his hon. Friend the Member for North Cornwall repeat it—that the key to an integrated rail network is the track. Of course we are maintaining an integrated national system of track in our privatisation plans for Railtrack.

The right hon. Gentleman's reasoning is flawed because of his belief that it is necessary for the state to own the network. Why does he consider ownership such an essential ingredient in delivering integrated transport, whenever he might mean by that phrase? If ownership is the key, why does he stop at the track? Why does he not extend his principle to train operations? Indeed, in hearing the hon. Member for North Cornwall explaining how confusing he found it to be offered a choice of services at Gatwick, operated by five different companies, surely the logic of his argument is that he wants to nationalise train operators as well.

Mr. Kennedy: This is very interesting logic—let us pursue it. From the Government's point of view, if this is the direction in which one wants to go in this hypothetical argument, surely, if one is to privatise at all, one would want to privatise the track alongside the operators who will run the track, instead of splitting it up and making it an accountants' and lawyers' paradise, which is what we have turned it into.

Mr. Watts: I want to privatise the track; I want to keep it as a national system. I want to privatise operators who will run their services over the track and, in some instances, will be able to provide choice for passengers and freight customers, who will make use of their services.

Mr. Nigel Spearing (Newham, South): Will the Minister give way?

Mr. Watts: Not at the moment, but I might later.

The logic of the argument of the hon. Member for North Cornwall about the confusion that he found in having a choice of services at Gatwick and at Littleborough—I wonder what he was doing there—must be that he would want those services nationalised as well. Why stop there? If ownership and control is essential to the provision of an integrated transport system, whatever

that means, do the British Airports Authority and British Airways need to be renationalised so that they can be integrated? Do buses and coaches need to be renationalised? What about the National Freight Corporation?

The logic of the arguments of the right hon. Member for Yeovil leads to the reincarnation of the British Transport Commission, and for every aspect of transport by land, sea and air to be owned and controlled by the state. Having been bold enough to adopt the orphaned policy of nationalisation, abandoned by its Labour family, why is the right hon. Gentleman shy of going the whole hog? This new commitment to state ownership and centralised control sits very uncomfortably alongside his other commitments to local decision-making.

Mr. Tyler *rose—*

Mr. Spearing *rose—*

Mr. Watts: I shall give way first to the hon. Member for Newham, South (Mr. Spearing).

Mr. Spearing: Irrespective of ownership, does not the Minister's plan hinge on finance? If the rail service is to be as good—or bad—as it is now when it is under private operation, and if Railtrack is to be privatised with some notional return on capital, how will the financial surplus, or rather the deficit which is covered by the nation as a whole, be met? Will it be met entirely by the alleged efficiency of the operators and the alleged efficiency of Railtrack, which does not currently operate? How can the Minister square the financial matters, irrespective of ownership?

Mr. Watts: By continuing public subsidy to support socially necessary services, to which the Government have a strong attachment. But a new structure in which the parts of the railway industry that can operate on a proper commercial footing do so, and in which subsidy is targeted on securing services for passengers—replacing the miasma of cross-subsidy and lack of transparency—will ensure much better value for money for taxpayers.

Mr. Tyler: Will the Minister give way?

Mr. Watts: I will give way one last time; then I must finish my speech.

Mr. Tyler: I now understand better why the Minister's colleague in the Austrian Government is so fascinated by the intricacies that the Minister obviously enjoyed presenting to him.

Why does the Minister say that it is impossible for the infrastructure to be in public control as part of a public transport policy, and for different operators to be allowed to use it, when that is precisely what happens on the roads?

Mr. Watts: I do not say that it is impossible. Indeed, when I spoke in Vienna I said that I believed that substantial benefits could be gained from restructuring so that the functions were separated. We go further, however, believing that there are further efficiencies to be gained from transferring businesses to the private sector.

Nationalisation has not proved a conspicuously successful model for our railways. Over the last 45 years or so, Governments of all persuasions have poured money into British Rail—over £54 billion in current values. Despite all that, the railways have continued to decline. In 1953, 17 per cent. of journeys were made by train and 24 per cent. of goods were moved by rail. Today both figures are about 5 per cent., and they have been dropping.

Why is that? It is because state ownership, and thus state management, has failed the railways. The monolithic monopoly did nothing for the passenger; it did nothing for the freight customer; and it did nothing for the owners—the taxpayers. Because of the structure, the old-style British Rail management was not in a position to be responsive to customers' needs. It had no incentives to improve performance. A giant unitary organisation cannot hope to supply services as well as a competitive private sector operating commercially.

Something had to be done. Someone had to be bold enough to grasp the nettle and create a new approach and a new framework for rail services in the United Kingdom. That is what we did with the Railways Act 1993. We did it for three reasons. First, we wanted to improve the quality of service to the customer. That comes first, because it must: it is the most important thing for everyone connected with the railway industry to remember. Secondly, we wanted to improve the efficiency of the railways. Thirdly, we wanted to halt and reverse the decline in the use of railways.

I cannot believe that more of the same—the failed structure and operation of nationalisation—is the preferred option among Opposition Members, especially given the example of the outstanding success of privatisation in other transport sectors. Let us compare privatised British Airways with loss-making nationalised continental flag carriers such as Air France; or let us consider BAA, which, in the private sector, invests on average three times as much each year as it did as a nationalised industry.

Privatisation will provide passengers with new guarantees that nationalisation has never delivered. Passenger service requirements will protect every station and every route on the network. Competitive bidding for franchises will ensure better value for taxpayers. Subsidy will be targeted more effectively. The fares regime announced by the franchising director will ensure that passengers share in the greater efficiency that privatisation will bring. Controls over key fares on every route will deliver fares 4 per cent. lower in real terms over seven years.

It is because of the outstanding achievements of privatisation in other transport sectors that we can be confident that rail privatisation will deliver for rail passengers what airline privatisation has already provided for airline passengers. That is why we have no fear of the future, and no nostalgia for the failed doctrine of state ownership and state control.

4.39 pm

Mr. Keith Hill (Streatham): Hope springs eternal, as they say, and it is evident from the somewhat unconvincing performance of the Minister of State that this is one privatisation too far. Despite the twists and turns of a Government increasingly desperate to proffer some crumbs of comfort to a sceptical public—most recently, for example, the highly misleading fare capping announcement and the so-called service guarantee, which is simply a myth—the public remain unpersuaded about the case for rail privatisation, and indeed deeply hostile to it.

Privatisation is undesired by rail passengers, and its structure—the separation of track, signalling and operations—has been condemned by virtually every

[Mr. Keith Hill]

railway professional at home and abroad. Its passage though Parliament was both time-consuming and profoundly contentious. The great rail sale has been greeted with almost total indifference by the private sector. Meanwhile, however, the uncertainty created by the privatisation has had a devastating affect on the rail manufacturing industry, and has placed a question mark over the 35,000 jobs associated with that industry.

The Railway Industry Association, the representative body of railway equipment manufacturing companies, has pointed to significant shortfalls in the expected investment in both the track and signalling since the inception of Railtrack. There is still no prospect of the urgently overdue modernising of the west coast main line, which will require major new investment in both infrastructure and rolling stock. Rolling stock orders for the west coast main line are dependent—if the Government survive for that long—on the granting of a franchise for that line, and that is unlikely to occur until 1997 at the earliest.

The worst effects have been felt in the rolling stock manufacturing sector as a result of the uncertainty created by privatisation. As my hon. Friend the Member for York (Mr. Bayley) has pointed out, 1,800 jobs in York have been lost as a result of the hiatus in rolling stock orders. That is nearly 2,000 blighted lives and families as a direct result of rail privatisation.

Still, it is an ill wind that blows nobody any good, so let us not forget the real beneficiaries of privatisation. We have heard various estimates of the cost of rail privatisation, but let us go with the modest estimates of the Department of Transport. The Department now estimates that the cost of privatisation to date—for the work of legal experts, property and marketing consultants, accountants, tax specialists and merchant bankers—amounts to a still colossal £240 million. Privatisation has been a gold mine for the Government's mates in the City of London. The City slickers have made a mint from the great rail sell-off, and that is a scandal which must not and will not be overlooked during the whole sorry saga of the railway privatisation.

In all likelihood, rail privatisation will cost us all as taxpayers an extra £500 million a year to run the same level of service—if we are lucky. In 1993-94, before the so-called restructuring of the railway finances, the cost of railway grants to the taxpayer were just over £1 billion. In 1994-1995, after the restructuring, the final outturn figure is £1,560 million.

By 1996-1997—on the basis of the Government's estimates of the likely spending of the rail franchising director and the projections of current costs and revenues of the railway—the total cost to the taxpayer of running the same level of services is likely to stand at £1. 7 billion per annum. If the Minister has any doubts whatsoever about these estimates, I suggest that he consults the trends set out in figures 16 and 17 of the Department's "Transport Report 1995".

There will be an increase of at least £500 million in the cost to the taxpayer for a railway that will in all likelihood deliver the same level of services as before privatisation. It is difficult to see the benefit to the taxpayer or to the rail passenger of that massive growth in costs. What of the other proclaimed benefits of privatisation to the rail passenger?

Mr. Peter Luff (Worcester): I have considerable affection and some respect for the hon. Gentleman, and I may have missed him refer to this matter earlier on. He is talking about the potential benefits of privatisation to the passenger. I believe that I am right in saying that the hon. Gentleman is sponsored by the National Union of Rail, Maritime and Transport Workers. Could he be more concerned about the benefits to the members of that union?

Mr. Hill: I hardly think so. The members of that union perceive few benefits under the existing conditions on the railway, never mind in the future. I shall anticipate the hon. Gentleman, who may continue by attacking—as is traditional with Conservative Members—the strikes declared in the railway industry. I find those attacks only too typical.

Mr. Jacques Arnold: On a point of order, Madam Deputy Speaker. Is it in order that Members who address the House should declare their interests before speaking in a debate?

Madam Deputy Speaker: I must make it clear to the House that it is incumbent upon each individual Member to decide whether it is necessary to declare such an interest. If an hon Member so decides, he must, of course, declare that interest.

Mr. Hill: I declare an interest in my south London commuter constituents, who are profoundly fearful of the consequences of rail privatisation, for reasons that I am about to spell out in yet further detail.

What of the other proclaimed benefits of privatisation to the rail passenger? The Government's most recent and desperate effort to paper over the cracks of rail privatisation has been the franchising director's commitment to cap fares at the level of inflation over the period of the initial franchise agreement. So far, so good. That is, on the face of it, good news for the captive commuters of London and the south-east, who have suffered fare increases well in excess of the rate of inflation for too long.

Unfortunately, all is not as it first appears. The wrinkles are already showing through the rouge. Individual fares may increase above or below the target range, provided the weighted average remains within it. That depends critically on the basket of fares being truly representative, which it will not be if below-average increases are concentrated on tickets which are, in practice, rarely sold. We must monitor that development very carefully indeed.

Mr. Spearing: I understood that that average was weighted according to the actual volume of transactions, as I believe is the case with the retail prices index. Is my hon. Friend saying that the average is not truly weighted in terms of expenditure?

Mr. Hill: I understand that the average is extracted from a basket of fares over a period. In that context, it is certainly possible—unless we are extremely careful—that the overall average will not be representative of the true level of fare increases.

The key leisure fares for my south London constituents—the one-day travelcard and the cheap day return—are specifically exempted from regulation by the franchising director. The key fare for my constituents, and for most of the constituents in London and the south-east, is the period travelcard. That card, which is indispensable to most London commuters, appears also to be exempted

if London Transport and the franchisees can reach an agreement on its price. The temptation to collusion to fix a price for the travelcard at any level they want is obvious. So where is the benefit in that?

From an analysis of the franchising director's "Passenger Rail Industry Overview", which set out the details for the first three franchises, we know four things. First, there will be no protection for existing child fare reductions. Secondly, provision at stations of timetables showing all the services that call there will be required only

"as far as is practicable".

Thirdly, operators will be free to use any type of rolling stock that they like. Fourthly, if VAT were to be levied on public transport, the franchising director would reimburse franchisees, with no provision for passing the relief on to passengers. Again, where is the benefit for rail passengers in all that?

Finally, there are the two jewels in the crown of the announcement by the former Secretary of State on passenger service requirements. The first was his commitment on overcrowding. On 7 February, he said:

"Because the passenger service requirement specifies maximum load factors for peak services, they"—

that is, commuters—

"will receive a guarantee that the operator will have to put on extra trains if demand for services increases, instead of simply cramming more people into existing trains."

However, from the franchising director's detailed guidelines, we now know that peak period overcrowding limits will be based on timetabled services rather than on the services that are actually run. In other words, the operator can run as many short-formed trains as he likes, and can even cancel as many as he likes. Provided that the trains are on the timetable, he will be deemed to be achieving his loading targets.

The detailed guidelines also tell us that, in any case, overcrowding limits are set at a level lower than that currently achieved by most sectors of Network SouthEast. Contrary to the previous Secretary of State's firm expectations, there is no incentive whatever in the guidelines for franchisees to put on extra trains. What benefit does rail privatisation bring there?

In his speech on 7 February, the former Secretary of State also said:

"Our plans for the railways offer something new for passengers; they offer guarantees. For the first time there will be an absolute guarantee of service levels."—[*Official Report*, 7 February 1995; Vol. 254, c 210, 211.]

But in his guidelines issued in early June, the franchising director said of himself and the franchisee:

"Either party may propose a change to the passenger service requirement at any time during the course of the franchise".

If that can be done at any time, there is no guarantee. What is the point of a guarantee if it can be changed at any time?

Many of the Government's promises on rail privatisation, including guaranteed service levels and reduced rush hour overcrowding, are now seen to be worthless. Rail privatisation is a fraud and a shambles. What is more, it is a more expensive fraud and shambles. If the Government had an ounce of common sense or decency, they would scrap the whole daft lot of it.

4.53 pm

Mr. Richard Tracey (Surbiton): I have a sneaking suspicion that we have just been listening to the National Union of Rail, Maritime and Transport Workers' brief, or part of it. It would have been a little more honest of the hon. Member for Streatham (Mr. Hill) if he had confessed to being sponsored by that union and to being a long-term member of it.

This is a Liberal day of debate on railways, which are clearly the flavour of the month for that party. I am sure that all my hon. Friends found it interesting to see 12 Liberal Democrat Members in the Chamber at one point, which must be something of a record. Even the leader of the party popped in for a moment or two, although he did not stay to confess to his Perth speech, which was mentioned by the Minister.

It is good that the Liberals have raised the subject of the railways, because clearly the Labour party will not make much of a contribution. I am not sure whether Labour Members have all dashed off, as their Welsh colleagues did yesterday, or whether they are drinking tea somewhere in London.

I have noticed that, in various parts of London, Liberals are now indulging in a fair bit of scaremongering about rail privatisation. I have even seen one or two of the famous questionnaires that they hand out. Out of seven questions, I counted six leading questions that would never have been allowed in a court of law. There were questions such as, "Do you believe that rail privatisation will be a disaster for the railways?" What is one supposed to say?

One questionnaire claimed that £700 million was being spent on legal fees for railway privatisation, and then asked, "Do you think that that money should have been spent somewhere else, such as on the railways?" How is one supposed to answer that? The Liberals always get the answer "yes" from the people they so regularly canvass on the railway stations of London and elsewhere.

The hon. Member for North Cornwall (Mr. Tyler) may say that this is a central office research department plant, but what fascinates me about the Liberals is the fact that the hon. Gentleman's colleagues on the Isle of Wight welcomed the privatisation of rail services there. My hon. Friend the Member for Isle of Wight (Mr. Field) told me that. He has heard that from the Liberal council there, and read it in the local paper. So what is so wrong with rail privatisation according to the hon. Member for North Cornwall and his 11 colleagues, who are not speaking for the Isle of Wight this afternoon?

Mr. Tyler *rose—*

Mr. Tracey: Does the hon. Gentleman want to put the record straight or to twist it a bit more?

Mr. Tyler: I warned the hon. Gentleman not to use out-of-date Conservative research department briefs. If he had attended several previous debates, he would have heard his extraordinary statement repeated again and again, and specifically answered each time by my hon. Friends. We support the privatisation of individual services. I went to the Isle of Wight and specifically supported the initiative there, so why does the hon. Gentleman go on about it? The only possible reason is that, unfortunately, the new chairman of Conservative central office has not yet torn up those outdated briefs.

Mr. Tracey: I can easily say in response to the hon. Gentleman that all my hon. Friends and I support the

[Mr. Tracey]

privatisation of every single railway service in this country. As I shall explain, that seems to be working rather well.

Liberals are anti-privatisation—and anti-car too. They do not like too many cars on the road, or any cars that burn petrol and cause fumes, as the hon. Member for Southwark and Bermondsey (Mr. Hughes) has told us many times. The Liberals also oppose road building, except when the bypass in question happens to be in a part of the world where they control the council, or hold one of the seats. It is not long since we heard about a little fracas concerning a bypass in Berkshire that the Liberals as a party support, although they often say the opposite.

Mr. Michael Stephen (Shoreham): Is not another example of Liberal hypocrisy the way in which they tell environmentalists how much they favour a carbon tax to cut noxious emissions, yet tell pensioners that they do not approve of VAT on gas and electricity?

Mr. Tracey: My hon. Friend is absolutely right. Those of us who have ever had much to do with the Liberal Democrats, especially in the south of England, know only too well that there is often a slight shift of policy between one street and the next, or even between one front door and the next. If neighbours are not at their door at the same moment, it is convenient to tell a different story.

Mr. Charles Kennedy: The hon. Gentleman, uncharacteristically, is almost in danger of sounding embittered. As he is talking about different policies, will he say which ones he supported in the privacy of the ballot box last week? Did he vote for the Prime Minister—the least worst option, as the Minister for Transport in London described the victory—or did he vote for the alternative Conservative policies?

Madam Deputy Speaker: Order. I cannot see how that can be relevant to the debate.

Mr. Tracey: I am grateful for your lesson on that, Madam Deputy Speaker. If the hon. Gentleman had been watching the television last Tuesday night, he would have discovered how I voted, because most of the British nation seemed to do so.

My hon. Friends and I are seeking to show that there are elements of hypocrisy in the Liberal party and in its motion. I fear that, because of its hang-up about rail privatisation, it is seriously misleading the public and, indeed, my constituents. Some Liberal Democrat councillors in the royal borough of Kingston upon Thames have been claiming that railway lines will close because of privatisation. That has been consistently and categorically denied by the managers of South West Trains, the franchising company in the area. Indeed, the passenger service requirement, which has been imposed by the franchising director, shows that there is now scope for an excessive number of trains compared to what we have at the moment.

I very much welcome the development of the franchising director and the PSRs, because it means that my constituents, and everybody else's, will for the first time have guarantees on services, whereas, as we all know only too well, in the heady old days British Rail could change services without telling anybody, without apologising and without doing anything to assist the travelling public.

Mr. Keith Hill: I have in front of me the guidelines for the first three franchisees, in which the franchising director says quite explicitly:

"Either party may propose a change to the passenger service requirement at any time during the course of the franchise."

Where is the guarantee in that?

Mr. Tracey: The point is that either party may propose a change. That does not mean that the franchising director will accept the change. *[Laughter.]* We can listen to the hypocritical laughter from Opposition Members, who are such great friends of the old British Rail, but, as I said earlier, it regularly changed services; it cut services, and very often it did not have the courtesy to tell the travelling public. That situation will not exist in future. I believe that there is a guarantee.

The Liberal Democrats, who at grass roots level are scaremongering about passenger services, are making residents and everyone else sick and tired of it all.

Mr. Charles Kennedy: I am grateful to the hon. Gentleman for generously giving way a second time. He should not rely on out-of-date Conservative central office briefs but do a bit more homework, because those of us from Scotland, who have been ahead in terms of the impact of privatisation, can assure him that the categorical, and no doubt sincere, ministerial assurances that were given about service provision were completely undermined by pre-emptive decisions based on subsidy, which is within the remit of the franchising director. I fear that the guarantees that the hon. Gentleman thinks he has are not worth the paper that they are not actually written on.

Mr. Tracey: I have a great affection for the hon. Gentleman. He, of course, represents a Scottish constituency; I represent a London constituency. I have had my guarantees from South West Trains, the franchising company running the trains on those lines.

I do not want to delay the House much longer, but I must share with it my experience of what is happening where Railtrack and South West Trains operate. I have, for a long time, been asking for refurbishment of Surbiton station, which is in my constituency and which is well known to commuters in south-west London and Surrey, because it is heavily used and was quite clearly in need of it. The greatest success that I had in three or four years was simply to get the clock there working again, which nevertheless was a great success to constituents who rely on it to tell the time. Now, as a result of Railtrack and South West Trains being in operation, £750,000 is being spent on refurbishment of the station. I very much welcome that; I do not believe that anybody can carp about that.

Secondly, on one of my lines, we have had a considerable problem with vandalism, and, indeed, with threats to passengers travelling alone. South West Trains put considerable investment into closed circuit television and into anti-vandal measures on the station concerned in response to the complaints of local residents, including the hon. Member for Thurrock (Mr. Mackinlay), who sits opposite in rather a different role.

Railtrack is investing £27 million in signalling and track work on the main line between Wimbledon, running through my constituency, and Woking. I have had discussions with Railtrack's managers, who now say that they are quite convinced that they have far more

flexibility and freedom to invest in the necessary infrastructure improvements than they ever had when they worked under the control of British Rail.

We have had the successful privatisations of British Telecom, British Airways, the British Airports Authority, the freight companies, Sealink and so on—the successes that we all know so well. That is what we are aiming to achieve with British Rail and the privatisation of the railway companies.

For too long, British Rail was a music hall joke in this country—something that would not have changed if the Labour party had been in power for the past few years. The Government are making progress and we shall continue to do so.

5.8 pm

Mr. Henry McLeish (Fife, Central): I welcome the new Secretary of State for Transport to his challenging position, and in his absence might I suggest that his first main challenge is to dump privatisation of the railways? It is alleged that he is on the centre left of the Conservative party and that he is interested in transport. He could do nothing better for the nation than to scrap what is now becoming a farce and a fiasco throughout the length and breadth of Britain. I suspect that his predecessor, who has moved on to the chairmanship of the party, will have the profound disappointment of being chairman for two years with the party in government and then for five years with it in opposition. What an ordeal for anyone to have to suffer for the next seven years.

Crucially, the Government will not accept that they are tearing the heart out of the railways. In the past 18 months, issue after issue has shown that they are not achieving any of their privatisation objectives but are destroying much of the morale, the network and initiative that have been built up in the past 30 or 40 years. It seems ludicrous that the Conservative party will not accept that policy, not personalities, lies at the heart of their deep unpopularity.

The Prime Minister involved himself in a vote of confidence and started off by saying that there were a few nutters in his party of whom he had to take care. After 12 days, he had managed to firm them up to 30 per cent. of the parliamentary Conservative party opposing him—a real achievement. [HON. MEMBERS: "What has this to do with the railways?"] It is relevant to the policy issues that are facing the country. If the Opposition have some patience, the relevance will sink in even with them—

Mr. Simon Burns (Lord Commissioner to the Treasury): We are the Government, not the Opposition.

Mr. McLeish: If I want to practise for the future, it is not incumbent on the Whip to intervene.

In the reshuffle, the new Secretary of State for Transport was brought in and we welcome that change, but the nation is not interested in shuffling heads on the deck of the Tory Titanic. The problem is the crucial policy issues in which it is immersed. Conservative Members may laugh, as the Government Whip is, but we will have the final laugh within 22 months.

Mr. Jacques Arnold: My constituents are already laughing at the pleasure and comfort of travelling in the brand new Networker rolling stock with which the Government have provided British Rail.

Mr. McLeish: I admire the bravery of the hon. Member for Gravesham (Mr. Arnold). Anyone who voted for the right hon. Member for Wokingham (Mr. Redwood) deserves some credit. His intervention was not predicated on the fact that he is a consultant for Thomas Cook Group Ltd.

Mr. Arnold: I am not.

Mr. McLeish: According to the Register of Members' Interests, the hon. Gentleman is a consultant to Thomas Cook Group Ltd. If my hon. Friends can be challenged on their contributions, it is right for the House to appreciate that an interest may be involved.

Mr. Arnold: For the hon. Gentleman's information, I am not a consultant to Thomas Cook. I worked for the company for a number of years and carried out a consultancy for it not so long ago, but I am not at present a consultant.

Mr. McLeish: You may want to give us some guidance, Madam Deputy Speaker. In the Register of Members' Interests dated 31 January 1995, it states Thomas Cook—

Madam Deputy Speaker: Order. As I have explained to the House before, it is incumbent on a Member to declare an interest, if there is one, but matters change. My recollection is that an interest must be recorded in the register within a month. Clearly there will be changes whenever the book is published.

Mr. McLeish: I am grateful for that clarification, Madam Deputy Speaker. Until about six months ago, the hon. Member for Gravesham was a consultant to Thomas Cook Ltd., but I will move on.

It is important to identify the key issues. Despite the contributions of Conservative Members, they will not accept that privatisation is deeply damaging to the fabric of the rail network. We constantly hear this nonsense about rail privatisation being the same as any other privatisation. Was British Airways chopped into 95 pieces and sold off? Of course not. Even if one were prejudiced and ideologically committed enough to privatise British Rail, one could not have picked a more monumentally stupid way to undertake the process.

That is the essential difference between the Government's arguments about this privatisation as compared to previous privatisations. They talk about integration but what a sick joke that is as regards the 95 pieces that the Government are trying to pretend would be a comprehensive and integrated national rail network.

On the timetable for privatisation, as the legislation was enacted in November 1993, why has not one of the 25 franchises been sold off? Who is dragging their feet? Is it the Front-Bench conspirators who are against what the Government are doing? Does the hon. Member for Gravesham want to intervene now? The Government have a target of selling off 51 per cent. by April 1996. Does any Conservative Member think that that can be achieved? I would like to be persuaded. Clearly, the timetable is in disarray, and it is creating tremendous problems for the railways.

The second issue is cost. My hon. Friends have mentioned the serious costs involved. The amount has been estimated at £500 million, £1 billion or more, but the real point is the opportunity that we are losing by squandering taxpayers' money on this futile exercise. Of course, no one mentions the fact that the public service

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obligation grant was virtually doubled in a year, not to provide extra services or any extra investment but simply to fatten up Railtrack and the rolling stock leasing companies for sale.

My hon. Friends are right to point out that, if privatisation goes ahead, in 1997-98 a privatised Railtrack will be £600 million to £700 million more expensive every year as far as one can see into the future. Will any Conservative Member defend that—a privatisation that costs the taxpayers an extra £600 million to £700 million? I do not see Conservative Members queuing up to intervene. Why not? This is a taxpayers' issue. Are we not always being lectured by the Government that we must be prudent with the nation's taxes and finances? I do not think we will get any volunteers to argue for the sheer lunacy of that policy.

Investment is the basis for this debate. Why is 30 per cent. of rolling stock more than 30 years old? Is that not a criterion on which one would base an investment decision? Not at all. Conservative Back Benchers are now quiet. The argument has hit home. Of course we need investment. Why should people have to endure 30-year-old coaches in the south-east and throughout the network? Modern coaches do not prevent accidents, but one's chances of survival and the chances of minimising threats to passengers will be that much better in a coach that was constructed last year than in one constructed 30 years ago. Investment is crucial for safety, and the Government are running away from their responsibilities.

We have also heard much about the west coast main line. A tragedy is unfolding because the Government promised that that would be a prestigious flagship project costing £1 billion. What are we getting now? We are getting apologies, because all that they are going to spend is £18 million on restructuring the signalling system. Words escape me, but the word "scandal" comes to mind. Are the Government merely breaking their promises, or is a link that would take people from the north of Scotland through the centre of England and on to Europe being abandoned? That is what is happening. Despite the protestations and the fine words from Railtrack chairman Bob Horton and from Ministers, the fact is that £18 million is becoming a substitute for a £1 billion project that is disappearing into the mists of time.

Why are everyone's energies tied up in this most useless of privatisation exercises? Constituencies on the west coast main line want improved passenger safety and quality in our train network. What they cannot stomach is the fact that the Tories are reneging on a promise to reconstruct the line, and the taxpayer is paying hand over fist towards this monumentally stupid exercise. It is difficult to understand how the Government could get it so wrong. Is it because they are dominated by prejudice and ideological extremism, or did they genuinely think that smashing a railway into 95 pieces and starving it of investment was the way forward? Those points must be on the consciences of Conservative Members.

The final point about the state of disarray of the railways concerns freight. The battle for freight is about the survival of the rail freight industry. It is not about building on an industry which is doing spectacularly well—it would be wrong to suggest that—but about working on an industry that has potential. What did the Government do? They created an artificial internal market and turned the rail freight industry into three companies. When will Ministers appreciate that the battle for freight is not within the railways but between rail and road? *[Interruption.]*

I hear an hon. Gentleman say, "Of course it is," from a sedentary position. I should like that constructive comment to be passed on to Ministers. The capacity of Ministers to pursue dogma through internal market competition is nothing to do with the real battle. They should think again about the three companies. [HON. MEMBERS: "That has nothing to do with it."] It has everything to do with it.

The situation is clear. The Government, like us, are surely committed to creating a better environment beyond the year 2000. One small way in which they can contribute to that is to shift road freight on to the railways.

The key issue should be the competition that we should be generating between rail and road. The Government are not doing that. *[Interruption.]* Whether the hon. Member for Gravesham likes it or not, he might like to take a more active interest in the issue by persuading Ministers that the real struggle concerns the environment and competition between road and rail, not internal competition within the railways, which is absolute nonsense and merely reinforces the prejudices of Conservative Members and does nothing for the industrial economy in Britain.

Mr. Jacques Arnold: Why does the hon. Gentleman think that, through all the years of nationalised railways, there has been a steady shift—not least by the Post Office—from rail to road freight? Why could not British Rail compete effectively under nationalisation? Surely a number of British Rail franchisees competing to pick up business are highly likely to get it, because they will have the private enterprise ethic to guide them to be successful, to get business and thereby to profit from it.

Mr. McLeish: The realities of the railway do not reinforce the hon. Gentleman's points. It is clear that there has been a decline in respect of both passengers and freight in the usage of rail. No one disputes that.

The Government's answer to problems always involves prejudice and ideological extremism. Their every utterance is about nationalisation and bad management of the national rail network. That is indicative of one of the reasons why the country is in the state that it is. For 16 years, it has been public bad, private good. The hon. Member for Gravesham can sit back in his seat and relax but when confronted with reality at the next general election the smile will be wiped off his face.

Mr. Hawkins: The hon. Gentleman talked of the state that the country is in. This country is now the leading economy in Europe, with profitable and successful businesses; it is not the sick man of Europe that the Labour party left in 1979.

Mr. McLeish: I am encouraged by the hon. Gentleman's anger. His intervention bears no relationship to the reality in Britain or to reality for our European Union partners. His comment was important. I hope that it will be well circulated to his constituents.

It is clear that this whole process is in a state of disarray. I welcomed the new Secretary of State for Transport. His main challenge is to persuade a number of his colleagues in the Cabinet that the whole process should be dumped.

I want to finish on two points that sum up this fiasco. I am sure that the hon. Member for Ross, Cromarty and Skye (Mr. Kennedy) will deal with the issue of sleeper services to Scotland. The Government and the British Railways Board were dragged into the courts in Scotland to be exposed for what they had shown to Scots—utter contempt for their rail network. They thought that, through stealth and the incompetence of the director of franchising, Mr. Roger Salmon, they could close services under the guise of consultation on a draft passenger service requirement. They were found out. Is it not a disgrace that railway policy is now going to be partly dictated in the courts of England and Scotland? That is a fiasco and the Government know it.

The second issue is trans-European networks. It is an important issue for Britain because it involves integrating the major routes in Britain with those in Europe. It is absolutely right that that should be done. What did Ministers do when they went to Brussels? They sabotaged the proposals. We find that the European Union is giving no priority to schemes. It has thrown out environmental impact assessments and of course no cash is being provided by the European Union for such developments.

Mr. Jacques Arnold: That is appalling rubbish.

Mr. McLeish: The hon. Gentleman says that that is appalling rubbish, but I put that comment on record. The hon. Gentleman, as part of his education and to gain the knowledge that he clearly lacks, should read the Council of Ministers, report from the Cannes summit, from which he will clearly see that I am correct.

Mr. Tyler: I understood the hon. Gentleman to say that he proposed to conclude in a minute. Before he does so, could he comment on this statement by the right hon. Member for Sedgefield (Mr. Blair):

"I am not going to spray around commitments as to what we are going to do when the Government carries through its proposals, if it carries them through. I am not going to get into a situation where I am declaring that the Labour Government is going to commit sums of money to renationalisation".

I hope that the hon. Gentleman will not sit down without telling us precisely how his party stands and whether he is prepared to give a commitment, alongside ours, to retain Railtrack in the public interest.

Mr. McLeish: The essential difference between us and the Liberal Democrats is that we will form the next Government. As a consequence, we have to take the issues seriously. There is a great contradiction in the hon. Gentleman's contribution. In one breath he says that we do not know what the nature of the sale will be or even whether it will be sold. Will it be 51 per cent. that is sold? What will be the nature of the Government's involvement? It is wise and prudent of my right hon. Friend the Member for Sedgefield (Mr. Blair) to say that. There is no point in a party that will take over Government in less than 20 months making specific financial commitments on any issue that affects every Department.

Mr. Jacques Arnold: The hon. Gentleman said earlier that the Government have been going across to Brussels and somehow obstructing environmental statements on European infrastructure projects. Surely he knows that an environmental statement was produced and published on the channel tunnel rail link last November. Has he not read it?

Mr. McLeish: I can dismiss that comment by pointing out that anybody who voted for the right hon. Member for Wokingham is not in a position to speak about Europe in a positive manner.

The Minister for Transport in London (Mr. Steve Norris): I do not want to intrude on private grief, but before the hon. Gentleman sits down I would be interested to hear his reply to the hon. Member for North Cornwall (Mr. Tyler). I admit that it is an unlikely eventuality but it might help us to know whether the hon. Gentleman is prepared to go down the rash and extraordinary road that the hon. Member for North Cornwall is prepared to go down and announce now that he is prepared to take Railtrack back into public ownership, for there is no doubt that it will by then be in the private sector. Will Labour take back into public ownership the train operating companies which will by then be in the private sector?

It would help the House to know, given the interest of the hon. Member for Ross, Cromarty and Skye (Mr. Kennedy) in sleeper services, what subsidy the hon. Gentleman believes it is appropriate for the Government to inject into such services. A figure—some real commitment and not just waffle—on such matters would be extraordinarily helpful.

Mr. McLeish: It is invigorating from our point of view to be put in the position of a Government—we have the Liberals on the one hand and the Minister on the other. To be fair, the Minister should be congratulated because he survived a remarkable—[HON. MEMBERS: "Here we go."] I think that the Minister would like to hear what I have to say. I speak to him outside the Chamber, although I do not know whether that helps his career. However, despite his remarkable comments about the Prime Minister—[HON. MEMBERS: "They were an endorsement."] They were an endorsement, in a way. In any event, the Minister is back in the transport team—he is a survivor.

However, it would be ludicrous for me to rise to the bait and to get involved in the tension between the Conservative and Liberal parties. At the next election, two parties will be fighting for their political skins—the Conservatives and the Liberals. The natural tension and enmity between them is something to behold.

Mr. Terry Dicks (Hayes and Harlington): The hon. Gentleman is like a little worm wriggling.

Mr. McLeish: I hope that *Hansard* caught that, as it is quite an enlightened comment from the hon. Gentleman, who is not known for such comments.

The point is that the Labour party will form the next Government and the Conservatives will be in opposition. We shall have the policies not only to put the country back on its feet but to put the railways back together.

After a series of interventions, I must conclude my remarks by dealing with the trans-European networks.

Mr. Norris *rose—*

Mr. McLeish: I shall not give way. The Minister will be winding up, and I have been reasonably generous in accepting interventions.

[Mr. McLeish]

The trans-European networks are hugely symbolic of the direction that a modern railway should be taking beyond the year 2000. It is a huge disappointment to people who care about the rail network and want a prosperous economy that the Government are dragging their feet on participation in and support for such an innovative venture. However, it illustrates the malaise that affects our railways and which is solely the responsibility of a Government who will not face their investment responsibilities for the next century, but who instead want to indulge in a privatisation which will not be good for Britain or any part of Britain, and which will clearly not be good for passengers who currently use the rail network.

5.31 pm

Mr. Nick Hawkins (Blackpool, South): The people whom I want to benefit from the Government's plans for the rail network are the passengers, not the rail unions which so dominate the Labour party's thinking or the apologists or second-class socialists on the Liberal Democrat Benches.

Mr. Stephen: My hon. Friend does the Liberals an injustice by calling them second-class socialists. Will he accept that they are first-class socialists? The evidence for that is that they are making a commitment to renationalise the railways, whereas the Labour party is not.

Mr. Hawkins: I am grateful to my hon. Friend for his contribution. I have always been wedded to the idea that the Liberal Democrats could not be first-class anything, but perhaps my hon. Friend is right.

It was no surprise to hear the hon. Member for Fife, Central (Mr. McLeish) defend the traditional, entrenched producer culture of the public sector unions. I notice that his office benefits from Unison, formerly the National Union of Public Employees, which funds a research officer in his department. I notice that, before entering the House, the hon. Gentleman's history included a period as a researcher for the social work department of Edinburgh university and periods as a university lecturer and planning officer. He does not understand the private sector, because he has never worked in it. Like almost all his colleagues and almost all the Liberal Democrats, he has no idea about private sector business. He and those like him do not understand customer service; they are in the pockets of the public sector unions. Labour and Liberal Democrat policies are all bought and paid for.

Let us consider Labour's position on previous privatisations and the accuracy of its predictions. The right hon. Member for Salford, East (Mr. Orme) claimed in 1983:

"The public telephone box could be threatened with extinction".—[*Official Report*, 18 July 1983; Vol. 46, c. 41.]

Would any Labour spokesman wish to go back to the days of a public sector British Telecom?

Labour's record is equally deplorable on other issues. The hon. Member for Crewe and Nantwich (Mrs. Dunwoody) claimed that bus deregulation and privatisation

"will not improve the lot of the bus passenger".—[*Official Report*, 22 May 1985; Vol. 79, c. 1096.]

What has happened since deregulation and privatisation went ahead?

Mr. Charles Kennedy: Is the hon. Gentleman aware of the warning in lavatories and sleepers on British Rail trains, which states that one should not drink the water? I fear that he may not have heeded that advice, judging by his condition this afternoon. I am really intervening to give him a break so that he can catch his breath. Does he agree that the singular practical and fundamental difference—not a difference of political philosophy—between rail privatisation and all the others that he has mentioned is the difficulty caused by having an infrastructure and operators who pay an access charge to it? The hon. Gentleman is comparing apples with oranges.

Mr. Hawkins: The hon. Gentleman has failed to understand that I am going through the history of Labour's Front-Bench spokesmen and their inaccurate predictions about privatisation. I promise that I shall deal with the issue that he has raised because it is also important for my constituency.

The hon. Member for Crewe and Nantwich was proved wrong, because bus mileage outside London has increased by almost a quarter since deregulation and operating costs—crucially—have come down by a third.

Mr. Keith Hill: Will the hon. Gentleman enlighten the House as to how bus privatisation has benefited the 13 million bus passengers a year who have ceased to use the buses?

Mr. Hawkins: The hon. Gentleman's intervention does not relate to the quotation that I read out. The hon. Member for Crewe and Nantwich said that bus deregulation and privatisation would not improve the lot of the passenger, but bus mileage has gone up and operating costs have come down by a third.

Mr. Jacques Arnold: Is not the answer to the question asked by the hon. Member for Streatham (Mr. Hill) that passengers who no longer travel on the buses now travel in their personal cars which, thanks to the prosperity created by the Government, they can afford?

Mr. Hawkins: I am grateful for my hon. Friend's intervention. However, I must return to the catalogue of incorrect predictions made by Labour's Front-Bench spokesmen.

The hon. Member for Glasgow, Garscadden (Mr. Dewar) described British Airways as the "pantomime horse of capitalism" in November 1979. As my hon. Friend the Member for Gravesham (Mr. Arnold) said earlier, British Airways is now the world's favourite airline. The Opposition were wrong about buses, wrong about British Airways and wrong about British Telecom. They have been wrong about every privatisation.

Mr. Stephen: Does my hon. Friend agree that, if the hon. Member for Fife, Central (Mr. McLeish) and his colleagues were to set up in business as clairvoyants, they would risk prosecution under the Trade Descriptions Act 1968?

Mr. Hawkins: I agree with my hon. Friend. I represent one of the towns that has rather more accurate clairvoyants, and I suggest that some could advise Labour Front-Bench spokesmen in future.

Mr. McLeish: I hate to split up the double act, but will the hon. Gentleman consider the most important difference between the various privatisations, which is

that British Rail is going to be axed into 95 bits and then sold? Does not that alter slightly the frame of reference within which he might wish to evaluate his comments?

Mr. Hawkins: What my constituents want out of privatisation is an improvement in their rail services. I am interested in the lot of the passenger. Many of the hon. Gentleman's Front-Bench colleagues were claiming that privatisation would not benefit the passenger—*[Interruption.]* I am seeking to answer the hon. Gentleman's question. Long before privatisation, and before pre-privatisation work started, British Rail axed the direct through services between Scotland, part of which he represents, and my constituency, and between London and my constituency.

The hon. Gentleman cannot claim a link between privatisation and the cutting of services. British Rail axed those services at the beginning of a Labour party conference some three years ago. I said then that, when the private sector had the opportunity to be involved in the railways, we should get back those through services. I can tell the hon. Gentleman that a private sector operator is proposing to reintroduce direct through services, which will benefit the passenger.

The result of the Government's policy, and the method that they have used, is bringing back to passengers services that the nationalised system got rid of. That is the answer to the hon. Gentleman's question. In part, it is also the answer to the hon. Member for Ross, Cromarty and Skye (Mr. Kennedy).

The hon. Member for North Cornwall (Mr. Tyler) spoke about the £200 million—a mere bagatelle—that it would cost to take part of Railtrack back into the public sector, as is suggested by the right hon. Member for Yeovil (Mr. Ashdown). The Liberal Democrats propose imposing that cost on the British taxpayer for up to six years. If the hon. Member for North Cornwall believes that the pursuit of that Liberal Democratic dogma represents good value for the taxpayer, I beg to differ. The problem with the Liberal Democrats, as I think Winston Churchill previously said about another Liberal, is that

"he has sat on the fence so long the iron has entered his soul."

Mr. Charles Kennedy: I think that the hon. Gentleman is getting his historic allusions mixed up. At the next general election, the public will obviously have a political choice to make, based on what we have to offer and our list of spending priorities. No one in the House should take any lecture from any Conservative, when a Conservative Government have presided over the billions of lost public money which was the poll tax—its invention, destruction and replacement. We will take no lectures about the Conservatives' prudential fiscal approach, given that track record.

Mr. Hawkins: The most important current factor about the rail network, and what is best for its customers and passengers, is the damaging proposals of the Associated Society of Locomotive Engineers and Firemen to disrupt rail services yet again. That will cost the taxpayer even more money and damage services to passengers, just as last year's signal workers' dispute led to the loss of £173 million.

Mr. Bob Dunn (Dartford): I was not in the Chamber for the early part of the debate, so can my hon. Friend please remind me whether any member of the Labour Front-Bench team took the opportunity to condemn the proposed rail strike?

Mr. Hawkins: No such opportunity was taken, but that is not surprising, because the Labour party has always been an apologist for the rail unions, which dominate it. Every member of the shadow Cabinet receives research help or sponsorship from a trade union, so it is hardly surprising that they simply support their union paymasters.

Mr. Keith Hill: Can the hon. Gentleman explain why the Conservative party always defends the right of workers to strike in a free society yet invariably condemns them when they make the effort to do so?

Mr. Hawkins: The point about the proposed strike is that many of the train drivers and ASLEF members either did not vote, or voted against a strike. Well under half of those entitled to vote supported the strike. The proposed dispute is damaging not only to passengers' interests but to those of the taxpayer. The hon. Gentleman's friends in the rail unions support that strike call, as they have others on many occasions, because they see it an opportunity to fight a political, ideological battle. It has nothing to do with anyone needing any more money.

The train drivers are being offered a 3 per cent. pay increase while many of my constituents, who are struggling in the private and the public sectors, have been offered nothing like that. Many people have taken a pay cut to keep their businesses going. If the hon. Gentleman believes that the 3 per cent. offer is inadequate, I invite him to stand up as an apologist for the train drivers. I note that he does not want to accept that invitation.

We have sensible rail workers, including many who learned lessons from last year's dispute involving the National Union of Rail, Maritime and Transport Workers. When the leader of that union recently called on his members to support the proposed strike, 9,503 staff voted against industrial action and just 8,980 voted in favour. I am sure that all the passengers who were delighted with that result are disappointed that ASLEF drivers, despite being offered a 3 per cent. pay increase, are calling for an unrealistic increase of 6 per cent. That is double the rate of inflation. They plan to damage passenger interests and to bring the rail network to a halt.

We need to provide continuing opportunities to attract private sector companies to the rail network because they would offer good services to passengers by introducing competition and investing in the rail infrastructure and new rolling stock. That is in the interests of the customers and the passengers, and that is why I support the Government's policy of privatising the rail network.

5.44 pm

Mr. John Greenway (Ryedale): As this is a Liberal Democrat Supply day, and reference has been made already to a by-election in another constituency, it is worth recalling what happened during the 1986 Ryedale by-election. The then successful Liberal candidate—in the old days of the Alliance—made it clear during the campaign that the privatisation of the buses would be a complete and utter disaster. What has happened since? The bus service in the Greater York area is now

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recognised, even by Labour-controlled York city council, as the best it has been for years. That is the consequence of that successful privatisation.

People may say, "Oh well, there are few rural bus services," but that was always so, and just a few passengers use them. At least people are aware of the commitment to continue the public subsidy of those socially desirable rural bus services. Those same principles underpin what the Government are seeking to achieve with the railways.

I am a strong supporter of privatisation generally, but it must be recognised that it is difficult to accommodate and accomplish it in some industries. Without doubt, privatisation has been a success in the transport sector. One need only consider long distance coaches, the road haulage business, buses, the British Airports Authority, National Freight and British Airways—an undoubted success—to recognise that. Those companies have done considerably better in the private sector than in the public sector, to the point where they have become world leaders, which is undoubtedly true of British Airways. We must ask whether that same success could be achieved for the railways. What benefits would privatisation bring to the railways? Is it even reasonable to compare the success of those other transport operators with the railways?

Even the most avid enthusiasts of British Rail would acknowledge that the railways do not work as well as they should. That was even truer before the Government announced their privatisation policy five years ago. It is a paradox, but, if anything, the most notable improvements in railway performance have occurred in the past four years, since the Government's commitment to privatise the railways was established.

Many of those improvements were achieved after significant increases in investment, especially in new rolling stock. My part of the world, Yorkshire, has benefited from the successful completion of the electrification of the east coast main line, which now provides far better services than those to which we were used. Sadly, that does not mean that the trains always run on time, but the service has improved and it is recognised as an international leader.

If there is a link between investment and improvement in railway performance, it suggests, as many hon. Members, particularly those from the Opposition, have sought to do today, that if we could only attract more investment, all the problems would be solved. I am sorry that the hon. Member for North Cornwall is not in his place, but I am sure that his colleagues will recount my following remarks. He referred to the annual report of British Railways Board, published just a few days ago, in which Mr. John Welsby, the chief executive, said that the current level of investment was not satisfactory.

Mr. Welsby is in a good position to know that as he is the chief executive of the British Railways Board. He has told us that there is a need for more investment. Yet in January, as recently as six months ago, as the House heard earlier from the hon. Member for York (Mr. Bayley), the British Railways Board said that there was no commercial case for replacing old rolling stock on South Eastern Railways, especially in Kent, despite the fact that some of the trains are more than 30 years old.

I believe that part of the reason why there was no commercial case was the constraint of trying to meet Treasury rules, in order to make out a case for leasing new trains, even by a private finance initiative. The House knows from previous debates that the decision by the British Railways Board, on one hand saying that there is not enough investment but on the other effectively rejecting a privately funded opportunity to acquire new trains, has had devastating consequences for the people of greater Yorkshire, in the form of the announcement in May that the ABB carriage works in York is to close.

I remind the House that, even though the chief executive of the British Railways Board said that there was no commercial case for new rolling stock, as recently as December 1994 the head of South Eastern Railways told Conservative Members who represent Kent constituencies that new trains could be expected to be ordered fairly soon.

As you are probably aware, Madam Deputy Speaker, I have taken a great interest in that matter because the carriage works has been local to many of my constituents, and I have tried, as has the hon. Member for York, to save the carriage works in his constituency from closure. We have considered carefully the possibilities of using private finance to get new trains on the railway by means of the private finance initiative, but, sadly, it has not come to pass. I am left with the overall conclusion that, the railway remaining in the public sector, the rules of public finance by the Treasury are too stringent.

The British Rail chief executive, Mr. Welsby, said in his annual report that the current demand and emphasis should be on infrastructure. Despite the fact that I would much prefer more new rolling stock to have been built and ordered from the York carriage works, I believe that he is right about that. Indeed, the success of the electrification of the east coast main line is an example of what can be done when we are bold and when the funds are available to bring our railways up to date and make them the modern infrastructure that they need to be. The news that the west coast main line is to be re-electrified and modernised is very welcome.

I was an avid train spotter as a young lad, and I remember when the first electrification took place. It is staggering to consider that it is probably the best part of 35 or 40 years ago. All the steam trains disappeared, and we did not believe that there was much fun in watching the electrics go by; they were not the same.

I say to my hon. Friend the Minister, when we speak about infrastructure, please do not neglect the need to repair and renovate some of the rural lines, because they provide an extremely important service to local people. A privatised railway will continue to require a subsidy for those services from Government.

That argument for more capital investment—the debate has partly been characterised by that—always appears to be based on the assumption that only more public money can succeed in achieving that. The Government are blamed for not having invested enough money in the railway, but, as my hon. Friend the Minister of State said in his opening remarks, the Government's record on rail investment in recent years is very good. We should do more, but I fail to understand where in the public purse that new money will come from.

The fact that the hon. Member for Fife, Central (Mr. McLeish) could not, in answer to my hon. Friend the Minister, answer directly what a Labour Government.

God forbid, might do if they were in office about, for example, renationalising Railtrack or making a further commitment to capital investment in the railway as a public sector operation—the fact that no amounts can be pledged—is a clear recognition that the Labour party knows that money does not grow on trees for that type of investment.

The House must face up to the reality that, if we want a truly modern railway, the amount of moneys that we need to make that a reality will come only from the private sector, not the public sector.

Any successful business reinvests out of retained profits or it seeks capital, whether by borrowing or in the form of share capital on which it expects a proper return. That is the basic economic fact of life. However, the key to the problem that we have with our railway is that, in the past 40 years, there has been a steady, gradual decline in rail passenger numbers. That has come in parallel with a dramatic increase in the use of the motor car and of road freight.

Mr. Stephen: They are more prosperous.

Mr. Greenway: That has been accompanied, as my hon. Friend the Member for Shoreham (Mr. Stephen) said from a sedentary position, by many people having greater prosperity and the opportunity to buy their own cars and exercise their freedom. As my hon. Friend the Minister said recently, they can exercise their freedom to get into their own car and go where they want to in their own transport.

There is, however, the opportunity for a dramatic change of public attitude and public behaviour, an opportunity to reverse that trend—to have more rail passengers, not fewer, and to get some of those cars off the road, especially for long journeys.

I shall always regard this period in the House as one of great sadness, because that opportunity to reverse passenger numbers must mean more railway trains, more carriages on our railway and more newly built modern trains, such as the Networkers, which are now being built in York for the Kent coast, and it is tragic, and sad for ABB York, that all that will happen too late.

I invite any Member of the House who is in the York region in the next few months to go and watch the gleaming new trains in the sidings being finished off—they will be running on lines in the constituency of my hon. Friend the Member for Gravesham (Mr. Arnold) before too long—and to realise that, by Christmas, the carriage works will be silent and, just as we are about to embark on a period when we need more new trains, that modernised carriage works will be closed.

I mentioned earlier the need for more infrastructure investment and the fact that, in my eyes, that can come only from the private sector rather than the public sector. There is a parallel with what has happened in other privatisations in the past 10 years.

The water industry is perhaps the best example to draw attention to because, undoubtedly, for 25 to 30 years there was chronic under-investment in the water industry by successive Governments. That has not meant that putting that right has been popular with customers, who now must pay greater water charges for the improvement in infrastructure that must take place. However, had we left the water industry in the public sector, we should not have had the investment programme currently in place through the private sector, which is now so necessary. Those hon. Members who scream and shout about the extra charges to customers must recognise that there is a public demand for higher standards in water and in sewerage.

The same argument applies to the railways. The public want a better rail system—of that I am in no doubt. But the funding for it will not come out of the Treasury, whichever party is in Government.

Mr. Jon Owen Jones (Cardiff, Central): The hon. Gentleman is making an interesting comparison between British Rail privatisation and the water industry. Does he agree that a more accurate comparison would be with the deregulation of buses? During the deregulation of buses, there has been little evidence of huge investment in better and improved buses, and no evidence of extra passengers on those buses.

Mr. Greenway: I am not sure whether the hon. Gentleman was in the Chamber when I began my remarks, and I am not sure that you, Mr. Deputy Speaker, were listening at that time. I was saying that, in the Greater York area, the privatisation or deregulation of buses has led to the best bus service that York has had for years. There has been an increase in the number of passengers and there have been new buses—big, medium and small. The Labour-controlled York city council is now proud of the service that is being provided. I do not think that the hon. Gentleman's argument stands up.

Mr. Charles Kennedy: I was at one with the comments on the Treasury made by the hon. Gentleman before the intervention of the hon. Member for Cardiff, Central (Mr. Jones). There is no doubt that, whichever political persuasion holds power in this country, the Treasury sees its remit as being to release as few funds as humanly possible, and it always will do.

I do not understand another aspect of the approach of the hon. Gentleman and his colleagues. By all means we can give the management of the railways more commercial freedom and flexibility to raise money and invest—I see no difficulty with that and it is not an ideological issue. The problem is that hiving the railways off into a multitude of individual companies and separating them from Railtrack goes way beyond the rational realisation of the policy that I think the hon. Gentleman, as a constituency Member, would want to see, and on which I agree with him.

Mr. Greenway: I am not totally out of sympathy with what the hon. Gentleman says. If he waits until the end of my remarks, which I am coming to shortly, he may hear me say what he has been saying, but in a different way.

We have a structure which has been agreed upon, whether or not it is the right one or could have been better. I am not an expert in such matters and am not in a position to make a judgment. However, the hon. Member for York and I set up the York Railway Forum. In the early stages of that forum, it was clear to us, certainly to me, that a great deal of work and effort by British Rail employees, from board level to shop floor workers, had been put into creating the new structure. To stop it now and tear it up would create an even bigger hiatus than the hon. Gentleman alleges has resulted from privatisation.

Many of the present problems, such as the closure of the ABB carriage works, have occurred because the process has taken far too long. It is six years since we

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privatised the British Rail engineering carriage works. There is no question—even ABB itself says—that, three to five years down the line, there will undoubtedly be a huge increase in demand for new trains in the private sector. I should like to have seen the process speeded up, which is why I feel that the situation at ABB is so sad.

I have taken up quite enough time, but I want to make one more point. In essence, far from blaming the current difficulties on the privatisation process on which the Government have embarked, the House and Parliament as a whole should now, as they should have done before, recognise the inevitability of what is happening and embrace it with far more enthusiasm. Even in this debate, the House cannot obtain a clear message from the Opposition about what they would do with the railways were they in Government. That is a clear recognition that they know that, were they to form the next Government, there is no blank cheque for the railways or for any other public sector industry.

To conclude and to put the final cherry on the cake of my argument, I referred a minute or so ago to the York Railway Forum, which we established three years or so ago to talk about York's future as a railway centre. York city council commissioned a report from railway consultants Steer, Davies and Gleave. The report's chief recommendation was that York—the city council, the chambers of commerce and all the industries represented in that great city—should embrace privatisation with enthusiasm. The report suggested that York should be promoted as a railway centre, but we are not doing that.

I can only commend that philosophy to the House, because I fervently believe that if we want a railway in the future of which we can be proud, we can achieve that only through private sector finance. I simply say to my hon. Friend the Minister for Transport in London, "For goodness, sake, let's get on with it."

6.5 pm

Mr. Peter Luff (Worcester): This afternoon's debate has been interesting for at least two reasons. First, I thought that it was a Liberal debate, but Government Members have made all the constructive contributions—indeed, virtually all the contributions. One Back-Bench Labour Member has spoken and no Back-Bench Liberals—there have been only three of them in the House throughout the debate. It must be a Government debate after all.

Mr. Tyler: I am grateful to the hon. Gentleman. Had he been longer in the House, he would know that, in a three-hour debate such as today's, we are not entitled to more than one speech at the beginning and one at the end. We could not intervene even if we wished to do so.

Mr. Luff: At least the Liberal Democrats could have come to listen to the hon. Gentleman, but they did not even do that.

The other interesting feature about this debate was the disappointing speech of the Labour Front-Bench spokesman, the hon. Member for Fife, Central (Mr. McLeish). It was long on waffle and short on facts. His speech consisted largely of a series of assertions in which he suggested that the reason for the debate was the Government's ideology. I should remind him that the reason for the debate is not the Government's ideology, but an attempt to correct the failures of the Labour party's ideology.

As I said in the House in April last year, it was the Labour party whose approach to the nationalisation of the railways created all the difficulties in the first place. The Labour party created that ugly monster, the British Transport Commission, on 1 January 1948. Under Labour's Transport Act 1947, it had a duty to provide an integrated system of transport in Britain. But, as "The Great Western Railway History"—the official history, published in 1984—reveals:

> "Sir Cyril Hurcomb, Chairman of the BTC . . . made the mistake of organising rail, road and water in five separate Executives and . . . selected incompatible people for the Railway Executive, which left him with no hope of integrating road with rail, and no chance of integrating the four railways."

Nationalisation destroyed the hope of an integrated transport system in this country. The Government are setting about trying to correct that, which I welcome.

Declaring interests seems to have been the flavour of this debate. My interest is rather modest: I am a shareholder in two private railways, in which I take pride. The first is the Severn valley railway, in which I am a founder shareholder and where I recently took my first course in learning to drive a steam locomotive. The second is Eurotunnel, which is the most dramatic example of the contribution that can be made by private capital towards providing transport infrastructure for the next century.

I am a reasonably regular rail user and have benefited from the investment made in the Worcester to London services, which has transformed the use and quality of that line. I also look forward to benefiting from the upgrading of the west coast main line, which will be brought about by this Government's policies, using the private sector in imaginative ways. I believe that the railways should be allowed to benefit from privatisation in just the same way as all the other privatised utilities have benefited.

I recently gleaned intelligence from a journalist that the Labour party intends to target me because of my support for rail privatisation. I look forward to deriving some benefit from that in my constituency. I welcome anything that the Labour party can do to stimulate debate about rail privatisation in my constituency. We will win that debate, because the services will improve while Labour Members continue their foolish policy of support for industrial action that will only undermine the railway's long-term future.

My real concern is the interests of my constituents—particularly those who do not have access to private transport. The interests of the passengers are at the forefront of my mind when I offer the Government my unqualified support on rail privatisation. We have heard the figures about the declining usage of the railways, but they are worth repeating. In 1953, 17 per cent. of all passenger journeys were by rail; in 1963, the figure was 12 per cent.; in 1973, 8 per cent; and in 1995, 5 per cent. Something is going wrong, and the problem must be corrected. We need a new policy approach; not more of the same tried, tested and failed policies of the Labour party.

The same decline has occurred in the transport of goods by rail. The percentage of goods carried by rail has declined from 28 per cent. in 1953 to only 5 per cent. in 1995. That is not good enough, and we must do something to correct the imbalance.

I am not one who believes that everything is wrong with our railways; I believe that we have many reasons to rejoice in the way that our railways are functioning at present. The railways have an excellent record of coping with the needs of disabled passengers. There is no legislation in place, but ours is probably the best railway in the world in terms of the accessibility of its rolling stock to the disabled. All InterCity coaches are now accessible to people in wheelchairs, and I am told that there are more toilets for disabled people on British Rail trains than on all the trains in Europe combined. We should recognise that good things are happening on our railways.

There is much talk about trains in this country running late. If I could arrive as reliably at my destination by car as I can by train, I should be a happy man. We think nothing of adding half an hour or three quarters of an hour to our estimated journey times by car, but the same thing is viewed as an abject failure when it occurs on the railways. The Eurostar receives appalling treatment whenever its service fails. It does not happen often, but it receives an incredible amount of press coverage when it does. How often do those who travel to Paris by air—I do not do it often, Mr. Deputy Speaker—face an hour or two-hour delay from air traffic control? There is no coverage by the tabloid press in those circumstances, but it is a scandal whenever a train breaks down. We do not serve our railways well, and they deserve better treatment.

InterCity is the only main-line railway in Europe that makes a profit and I think that it still has more trains running at more than 100 mph than any other railway in Europe. I concede that there is a lot to be done if we are to build on existing strengths. Labour Members referred extensively to through ticketing. I do not think that the marketing of our railways is adequate. The ticketing structure is extremely complex—it is so complex that Labour Members obviously do not understand that through ticketing does not exist at present—and interoperability is a real problem.

There is a complex framework of savers, supersavers and awayday tickets. One can see the notices at Paddington which say that a certain ticket is not allowed on this or that train; it is a complex issue. I do not believe that the railways are getting their marketing right, and that is one of the central reasons why I strongly support privatisation.

We have heard about the track record of other privatised industries, each of which has improved the quality of the service that it offers to customers. The same thing will happen with the railways. On 23 January 1994, the *Financial Times* wisely said:

> "If the railways were working well, there would be an argument for leaving them alone. As it is, even with some of the highest fares in Europe they are under invested; passengers are still too often made to feel as though they are an incumbrance to the running of the railway, rather than the reason for it; and the trains do not run on time."

I think that the *Financial Times* is being a little hard on British Rail with that last remark. The railways need the injection of enterprise, flair, marketing expertise, management skill and new sources of capital that privatisation will bring.

In his opening remarks, the hon. Member for North Cornwall (Mr. Tyler) talked about accountability. The accountability that matters for the railways is its accountability to its passengers. That accountability is sadly lacking at present. I believe that privatisation will make the train-operating companies accountable to their passengers.

I believe that the passenger service requirements and brand-new contractual conditions on operators will also play a vital part in improving accountability. At present, British Rail can run down its services on a line without being accountable to anyone. Now we have guarantees of service—I know what the hon. Member for Streatham (Mr. Hill) said, but I still see them that way—never before enjoyed by the people of Worcester.

When the PSRs were initially put out to consultation, scare stories were circulated by people who claimed to be friends of the railways but who only undermined them. They said that the service would be reduced from three to two InterCity trains per day. That is nonsense; for the first time, we will have a guaranteed InterCity service. Someone living in Worcester who wants to travel to London reasonably regularly will now know that a rush-hour train will travel in each direction. That is guaranteed under the PSR, and it is a huge step forward.

Mr. Charles Kennedy: I am fascinated by the hon. Gentleman's logic. Is he saying, as a Member of Parliament and a rail commuter, that he is happier knowing that there will definitely be one fewer train per day than having one more train per day? He seems to be applying some bizarre logic.

Mr. Luff: There they go again. Two trains are guaranteed, the existing trains will still run and the Great Western managing director has said that he plans to run more services, not fewer. I will quote from the press release. *[Interruption.]* The hon. Gentleman asked a question, so he should at least have the decency to listen to the answer. The Great Western Trains press release of 31 January this year states:

> "The timetable plan for May 1995 maintains the current level of services and consideration is being given to the introduction of additional ones".

It may come as a surprise to the hon. Gentleman, but these things must be planned. I know that Labour Members do not understand the private sector, but it is a little embarrassing when they reveal their ignorance so spectacularly.

Levels of service are important, but the small things matter as well—they show that the railways care about their passengers. The standard of service is improving locally as the rail network prepares for privatisation. The new Thames timetable for the service operating between Worcester and London is a radical improvement on everything that went before it. It lists the stations and states what facilities are available at each. It sets out the route very clearly and, most interestingly—Labour Members would do well to listen to this—it lists the times of buses connecting with the rail service. The so-called fragmented railway has produced an integrated timetable which bears testimony to the success of the Government's plans.

There have been other improvements, such as better on-board service on the 125s—all first-class passengers are treated as though they are actually wanted on the train, and receive newspapers and a free drinks trolley service. The new timetables that are on display at my local stations enable people who do not understand how the railways operate to learn what trains go where. Those improvements are a direct result of the Government's plans.

[Mr. Luff]

Things will only get better. Some problems need to be addressed, but the Government have fostered a creative tension in the railways, rather than a complacent, monolithic bureaucracy. It means that individual companies are fighting for market share and for customers—and hopefully they will fight Railtrack from time to time. Railtrack still has a lot to answer for locally. The weeds at Shrub Hill station are a disgrace.

Mr. Keith Hill: Will the hon. Gentleman give way?

Mr. Luff: No, I will not give way again. I am winding down my remarks and I wish to allow my hon. Friends time to speak in the debate.

Visitors to Worcester would not know that Shrub Hill is a railway station because there is no sign outside it. That will not be good enough for the new train-operating companies, and they will demand improvements to Worcester Shrub Hill station. That is one of the reasons why I welcome rail privatisation.

Investment and the alleged failure of investment has been discussed. I believe that the Labour and Liberal parties must bear a heavy share of the responsibility for that problem. Their attacks on the privatisation process are creating uncertainty and frightening passengers, and they should cease. We have the policies necessary to revive the railways, and those policies have my unqualified support.

6.18 pm

Mr. Jacques Arnold (Gravesham): The debate is fascinating because the enthusiasm for the future of the railways among Conservative Members is conspicuously absent among the Opposition, even in getting Back-Bench Members to speak. The other fascinating aspect of the debate is the fact that the Liberal party has at last managed to crawl to the left of the Labour party. We heard a diatribe against privatisation from the hon. Member for North Cornwall (Mr. Tyler), while the hon. Member for Fife, Central (Mr. McLeish) sat on the fence, giving no commitment and no policy. There is not even a Labour amendment to the motion on the Order Paper. Almost all Labour Back Benchers appear to have fled the field of battle during the debate, and we have heard nothing from them.

We should put the privatisation of the railways into context and the best way to do that is to compare it with the last great transport privatisation—that of British Airways. I went to the Library and looked up the Second Reading debate on the Civil Aviation Bill on 19 November 1979. It was the first step towards privatising British Airways. On that occasion, the Labour spokesman had something positive to say. Mr. Stanley Clinton Davis wound up the debate and it is instructive to examine what he said on that occasion:

"The Bill is yet another example of the Government's doctrinal spasms. It is an ill-conceived scheme. It does nothing to engender confidence in the airline, it provokes great anxiety and puts a question mark over the future of British Airways. It does not ensure that the investment programme of British Airways can be satisfactorily completed, which should be a condition precedent to any sensible aviation policy."—[*Official Report*, 19 November 1979; Vol.974 , c. 153-54.]

What has happened to British Airways in the 16 years since then? It has expanded its network and its services, and it has gained the accolade of being the world's favourite airline. It has carried out a vast multi-billion-pound investment programme. One has only to look at the dozens of Boeing 747s and brand new airbuses that it has taken on to provide improved services to its customers. It is now the first European airline to have taken delivery of the new Boeing 777. So much for Labour's predictions. It is not surprising that the hon. Member for Fife, Central did not dare make any predictions today.

Mr. McLeish: Will the hon. Gentleman address the fundamental point about how British Rail is being privatised? Does he agree that, if an organisation is privatised as a single entity, it will differ in a number of ways from an organisation that is chopped into 95 pieces and then flogged off to the highest bidder? Let us have a specific answer on that point.

Mr. Arnold: I shall turn to precisely that point, having first commented on the great Liberal speeches in the debate in 1979. I searched through *Hansard* for that date, and what did I find from the Liberal party, as it then was? I found no speech, and no vote. Not one Liberal Member spoke or voted. The Liberal Democrats are absent from the Chamber this afternoon. Then, as now, they were part-time Members of Parliament, with not too much to say about privatisation.

Mr. Tyler: Even the hon. Gentleman should be able to calculate that a far larger proportion of the Liberal Democrat parliamentary party than of the Conservative party has been here throughout the debate.

Mr. Arnold: That does not say much for the number of Liberal Democrats who are elected—which is not surprising, in view of what we have just heard.

In 1979, the Labour party went flat out against privatisation and the Liberals sat on the fence. Today, the Liberals are flat out against privatisation and the Labour party has not much to say of any significance.

As for the point raised by the hon. Member for Fife, Central, British Rail is being carved up into more sensible chunks, so that it can be managed better and deliver a better service in the private sector. To draw the analogy with British Airways once again, more than 100 airlines come into Heathrow and Gatwick. Each one is a separate company. When the railways are privatised, a multiplicity of franchisees will provide a service, some of them on exactly the same lines and passing through exactly the same stations.

All the airlines land at airports which represent yet another successful privatisation. British airports are managed not only by the British Airports Authority, which also manages other airports, but by other private companies. Railtrack will operate the railway stations and the signalling and lease them to appropriate operators. The same has occurred in air transport, where air traffic control is another separate agency.

What about ticketing? Only a few months ago, the Labour party put out the most magnificent scare stories about ticketing. Almost immediately after privatisation, British Airways set up Galileo, the computerised ticketing service, so that outlets for information and the purchase of tickets on different airlines increased in multiples by hundreds and thousands. The idea that private railway

operators would not make the greatest effort to increase the outlets for tickets shows how much a part-time lecturer understands about private enterprise.

Mr. McLeish: As the hon. Gentleman is developing that argument, he should address the fundamental flaw in its foundations. When he talked about British Airways, did he mean the British Airports Authority? The simple premise of the argument that must be addressed is that British Railways is being broken up into 95 parts, whereas British Airways was not.

Mr. Arnold: That is the whole point. I was comparing the rail industry in Britain, which is traditionally one vast monolith, with the civil aviation industry, part of which was nationalised in British Airways and BAA.

In civil aviation, equipment is owned or leased. Likewise, the franchise operations for rolling stock will either get rolling stock from the rolling stock leasing companies or they will buy it.

A singularly important aspect is the prospect for the transfer of traffic from road to rail. I have always thought it extremely odd that we have a wide and integrated network of railways managed by one entity, but it has been unable to provide an infrastructure of freight farms for moving freight around the country. Despite all the advantages of the wide scale of the network, the nationalised British Rail has completely failed to get its act together to move freight around the country, and it failed to do that during a period in which the Government have put £54 billion into the railways since nationalisation.

Why has that not been achieved? British Rail argues that it is impossible to achieve it in such a small country as Britain, because the distances are so short that there is no point in loading freight on and off the railways. However, the channel tunnel makes that excuse no longer valid. As my hon. Friend the Minister said, freight can be carried from Glasgow to Milan by rail through the channel tunnel within 36 hours whereas it would take 72 hours by road. I believe that there will be a massive switch from road to rail, particularly for international traffic, harnessing the channel tunnel. However, any suggestion that that could be achieved by the nationalised monolith that is so fondly considered by the heart of the Labour party is absolutely hopeless. We need the flexibility of the private sector.

Another aspect worthy of rapid consideration is the channel tunnel rail link. My constituency has suffered from this ghastly business for the past eight years, but recently the rail link has passed from being a figment of the imagination of rail enthusiasts to a viable proposition. At the moment, we have rail capacity across Kent, but early in the next century we shall not. It is therefore sensible to build a brand new railway line which can carry high-speed traffic. If that is done, it should remain a passenger-only service and not extend to freight, which should stick to the lines that travel through southern Kent, which the Government rightly invested more than £1 billion in upgrading in recent years.

One Opposition Member mentioned a rumour that he was glad to put about, that Ebbsfleet station and the channel tunnel rail link onwards into London St. Pancras is not to be built. I have quizzed my hon. Friend the Minister, and I shall be grateful if, when he winds up, he will confirm yet again that the Government view Ebbsfleet station and the line onwards into St. Pancras as absolutely vital and will not be cut. Ebbsfleet station would be most welcome. It would cut commuting time from 50 minutes to 19 minutes. It would mean new developments which will create thousands of jobs in the area and new roads—if only Kent county council will get on with them. Scaremongering by Labour about Ebbsfleet station is extremely unhelpful and damaging.

6.30 pm

Mr. Michael Stephen (Shoreham): The other day, a constituent of mine stopped me in the street and said, "I've got a bone to pick with you. I travelled on the railway to London recently. The train was slow, the carriages were dirty, the service arrived late and the staff were rude. You should never have privatised the railways." I had to remind him that the railway of which he was so critical was the good old nationalised railway that we all know and love. If it worked as well as it could and delivered the service that our constituents expect, there would be no need for the House to consider the matter—but clearly that is not the case.

I was not surprised to hear the usual negative speeches from Opposition Members, who have criticised every one of our privatisations—British Airways, the British Airports Authority, British Steel, British Telecom and British Gas. They were all wonderful industries, but they were costing the taxpayer £60 million a week before we started to privatise them. Today they deliver the same amount of money to the Exchequer every week.

The trouble with Labour is that it always sees things from the side of the producer, not the consumer—particularly if the producer happens to be a unionised worker. Labour Members criticise shareholders but do not seem to realise that most shareholders in today's privatised or nationalised industries are the pension funds of their own constituents. They complain about the family silver being sold off, but they were put up to that by a mischievous old gentleman from the Conservative side of the House: in fact, the family silver is still there and working for us better than ever before.

One is surprised to note that this is a Liberal Supply day, as two Liberal Members are all that can be mustered.

Mr. Tyler: Three.

Mr. Stephen: I apologise, but the Liberal leader has not been in the Chamber during the debate. No doubt he has been off studying the railways in Bosnia, and we shall have a full report from him when he returns. The Liberals have come out in their true colours as a first-class socialist party. It is they and not Labour who are threatening to renationalise the railway.

I had the privilege to spend a year as an Industry and Parliament Trust fellow with British Rail, so I can tell the House that we have a very good railway. I do not agree with the constituent who criticised that nationalised industry, but we can make it better. None of the managers I met is afraid of the private sector techniques and capital that will come to the industry—they want them. Managers told me that, in a nationalised industry, one can never manage or plan ahead, because one has to wait for the man from the Ministry to make up his mind: he does not often say no—the trouble is that he will not make up his mind at all. One cannot manage a business with such restraints. The managers said that, when they went to the Department for money to invest in new trains, track and stations, they were told to get in the queue behind the national health service, the schools and everyone else.

[Mr. Stephen]

Strikes are another reason that the railway has not delivered as a nationalised industry. The latest shenanigan by the rail unions that is about to disrupt the lives of the travelling public is a good example of the unrestrained and irresponsible use of national union power, which must be broken in the public interest. That is a good reason, if there were no other, for privatising the railway and breaking it up into the 92 parts of which the hon. Member for Fife, Central (Mr. McLeish) constantly reminds the House.

As for subsidy, Opposition Members are trying to scare our constituents by suggesting that uneconomic lines will be closed. In fact, the opposite is true: the uneconomic lines are most likely to be attractive to private sector operators because they will be paid for operating them, whereas they will have to pay for the privilege of running economic lines. Opposition Members claim that we are pursuing privatisation out of pure political dogma, but it is they who are being dogmatic in refusing to put privatisation to the test. They refuse to give our constituents the opportunity to ascertain whether private sector capital and management techniques can improve Britain's railway.

The Opposition regale us with silly ideas of private sector operators cramming our constituents into cattle trucks and sending ticket prices through the roof. Do the Opposition not realise that private sector operators will want the public to ride the railway and pay for the privilege of using their trains? That is all I have to say.

6.36 pm

Mr. Charles Kennedy (Ross, Cromarty and Skye): It has been an interesting debate. The hon. Member for Shoreham (Mr. Stephen) said it all, in a prophetic statement. He was referring to this debate, but his remark could apply equally well to the Government. He said that we were running out of time.

That is very much the case, because the Government are running out of time in terms of both the parliamentary calendar as the next general election approaches, and their leadership options, which the Conservatives semi-resolved last week with the "least worst option"—as the Minister who will be winding up described the Prime Minister in ringing tones. The Government's privatisation policy, which a number of Conservative Back Benchers have endorsed to various extents, will prove an increasing nightmare for the Government as the next general election approaches.

I will begin with a friendly sideways comment on the hon. Member for Fife, Central (Mr. McLeish). He and I have been happy to share a number of public platforms in Scotland on rail anti-privatisation issues. I have also shared platforms with the hon. Member for Cunninghame, North (Mr. Wilson), and we have had some political effect in the broad-based campaign that we have fought.

I was a little disappointed at the paucity of contributions from Labour's Back Benches. It is a sad reflection on the procedures and customs of the House that a Liberal debate on the important issue of rail privatisation is considered a lower-grade affair. If the issue is important, Labour Members should be campaigning on it, and not leave so much of the debate to Conservative Back Benchers.

It is also a shame that the problem for Labour is not north of the border, where our positions have been clear and robust. I suspect that the difficulties or constraints confronting the hon. Member for Fife, Central emphatically arise south of the border. I have no doubt that mainstream Labour opinion would endorse the Liberal Democrat motion. If there was an unambiguous political signal from the Opposition parties that a golden share or a controlling public interest would be secured if and when Railtrack disappears completely into the private sector, that would have an important business as well as political effect on Railtrack's saleability.

Although Labour was unable to be unequivocal in its support for us tonight, I hope that the fact that Labour was not wholly dismissive of our arguments is an encouraging sign for the future, and that we may yet see Labour's leader being rather more emphatic than he has felt able to be hitherto. I believe that that is one case that we could win.

It is not the fault of the hon. Member for Fife, Central, because it is not his remit, and I know that he will be relieved by that, but the one transport issue—that of London taxis—into which the Labour party has ventured and boldly gone, proved to be an unambiguous fiasco. The leader of the Labour party intervened, and the entire policy had to be turned upside down. I think that the Labour Front-Bench team are endorsing that view.

Mr. McLeish *indicated assent.*

Mr. Kennedy: I say in a friendly way to the Labour party that we live in hope. Clause IV still lives in the hearts of some people, and perhaps the Front-Bench members of the Labour party should remember that.

I comment on where, as usual, most of the entertainment came from this afternoon: the Conservative Back Benches. The most friendly thing that I can say to the hon. Member for Blackpool, South (Mr. Hawkins) is that there seemed to be some philosophical confusion in his arguments about the merits of privatisation. He seemed to argue that, because direct services to his constituency had been withdrawn and there was no guarantee that they would be restored, the uncertainty that at least one day they could be restored was in itself an emphatic endorsement of rail privatisation.

Mr. Hawkins *rose—*

Mr. Kennedy: I shall give way, but I am terribly tight for time.

Mr. Hawkins: The matter that I raised was that—already—a private sector company plans to reintroduce direct through services from Scotland to my constituency and from London to my constituency as soon as it is able to do so. That would replace a withdrawal of service from the old nationalised British Rail.

Mr. Kennedy: We will watch that space with interest—as, I am sure, will the hon. Gentleman's constituents. They may be looking to fill a space with a different personage at the next general election. There might be a triumph of hope over experience.

The hon. Member for Surbiton (Mr. Tracey) has accepted lock, stock and barrel all the assurances issued by the Regional Railways managers, but he does not seem to appreciate how the system works. The one prediction that I shall risk is this: as this Parliament goes on, we shall see at Prime Minister's Question Time, Transport questions and other occasions such as this debate, more and more Conservative Back Benchers getting to their feet

to protest about the fact that effective local consultation has been short-circuited by the rail passenger franchising director, and that they, as local Members, do not have the opportunity to put the case vigorously and rigorously, as their constituents will want them to, for the retention of rail services. The penny is just beginning to drop with some Conservative Members, but clearly, judging from the speeches, not with as many as it will do in due course.

I commend the hon. Member the Worcester (Mr. Luff) for his practical support for the railways, both private and public. He speaks with great enthusiasm and passion. I agree with him about the need for better marketing and promotion. There is an attitude problem in this country towards our railways, and a debate such as this provides an important opportunity to underscore it.

The hon. Member for Gravesham (Mr. Arnold) spoke with great, burning support and enthusiasm for the Government. I can only assume that that is why he resigned as a member of it last week. So enthusiastic is he that he voted for the person who stood against the present leader of his party.

We now have a ray of hope, because the hard man who was in charge of the Department of Transport has been moved to the hard place of Conservative central office and been replaced by the bicycling baronet himself. I regret that we did not hear from the Secretary of State for Transport this evening, but he is present.

The right hon. Member for Ealing, Acton (Sir G. Young) has commendable independent spirit, which is why he got himself sacked under his previous leader and then reappointed. All of us interested in the future of our railways hope that he will follow what appear to be the discussions that he was having with the Secretary of State for Scotland earlier this afternoon, not least because the consultation on the passenger service requirement for Scotland ends tomorrow.

The franchising director, Roger Salmon, and Ministers must be impressed by the quality and the quantity of the submissions—which include one from the likes of Highlands and Islands Enterprise, which is, after all, a Government agency—that the threatened services should be reprieved. It is healthier at the end of day for such strategic, political decisions to be taken by politicians and Ministers. They should not be farmed off and taken by bureaucrats.

Although we have had to resort to the Scottish courts, it is scarcely ideal either that such decisions are taken by judges on the bench. As somebody with a sense of the constitution, I think that the Secretary of State for Transport will share that view privately. I hope that he and his right hon. Friend the Secretary of State for Scotland can therefore come to a sensible arrangement as a result of discussions which have already taken place.

At the centre is the question of responsibility. There is no doubt that the Government, as in some other areas—the health service being an obvious example—have sought to move the stigma of rail rundowns or closures away from Transport Ministers and, indeed, the Scottish Office or territorial Ministers generally.

It is now farcical when one wants to complain about a threatened reduction or withdrawal of service. One raises a question in the House and asks the Minister concerned, who says that it is an operational matter for British Rail or ScotRail management. When one talks to them, they say that it is a question of subsidy, which is decided by the franchising director. When one talks to Roger Salmon, he says that the budget is decided by the Ministry of Transport.

It is chaotic, circular nonsense, in place of what used to be something approximating coherent decision making and a sense of ministerial accountability, for what is, after all, something still emphatically in the public domain. That is the great contradiction and weakness at the centre of the entire privatisation process.

In the course of this short debate, we have not learnt a lot more about what the Labour party stands for, we have learnt a little more about the Liberal Democrats' view, and we know that there is a variety of opinion on the Conservative Back Benches. I shall end on an optimistic note, because inevitably in such a debate the focus is on the negative.

The channel link is a marvellous engineering achievement. Any hon. Member who has recently used either the Paris or the Brussels link for business or parliamentary activity could not have failed to be impressed by it. The days of being stacked above Charles de Gaulle airport or stuck on the M4 going out to Heathrow are behind us because of the convenience and the quality of travel that the rail link affords. It is therefore something to celebrate, and it is an important signal for the vibrant future of this country's railways, especially as we are plugged into the continent of Europe.

There is also an awful metaphor at the centre of that achievement, as any hon. Member who has travelled on the service will know. It is galling to trundle through the south of England's green and pleasant land at a certain rate, only to cross the channel and accelerate to a fantastically greater rate as one passes through France, Belgium or wherever.

In the words of our motion, that is surely the central point. On this side of the channel, under this Government's policy, there has been a fundamental lack of investment in a rail infrastructure. That will not be improved by privatisation, and I hope that wiser counsels may yet prevail, given the change in ministerial personnel.

6.47 pm

The Minister for Transport in London (Mr. Steve Norris): I want to start where the hon. Member for Ross, Cromarty and Skye (Mr. Kennedy) has just left off. His last statement demonstrated the patent absurdity of the motion. He seems to have forgotten that the channel tunnel rail link is being constructed by private sector finance, and that a Labour Government cancelled a channel tunnel project which was to have been taken forward by the taxpayer. It is precisely the inadequacy of the state in such circumstances that leads Conservative Members to their fundamental belief in the advantages of privatisation.

I congratulate all my hon. Friends, who followed the excellent lead of my hon. Friend the Minister for Railways and Roads, on making this an interesting debate. My hon. Friends the Member for Worcester (Mr. Luff), for Ryedale (Mr. Greenway), for Blackpool, South (Mr. Hawkins), for Gravesham (Mr. Arnold), for Shoreham (Mr. Stephen) and for Surbiton (Mr. Tracey) all made valuable contributions to the debate. I shall comment on them later, but first I want to deal with a few detailed points.

The hon. Member for Ross, Cromarty and Skye referred to Anglo-Scottish sleeper services. As he knows, the consultation period ends tomorrow. All the

[Mr. Steve Norris]

representations which have been made will be carefully considered by the franchising director. I know that he is aware—I want to make it clear, as the House should also be aware—that, in the intervening period, those services will continue. I should also make it clear that—beyond sleeper services—the PSR for ScotRail as a whole essentially protects the entire May 1995 timetable. That is a new guarantee of services for the next seven years.

Mr. Tyler: Will the Minister give way?

Mr. Norris: The hon. Gentleman is intruding on his own time—which may be why he wants to intervene.

Mr. Tyler: I am grateful to the Minister. I think that this point is important.

The Minister just said that all sleeper services to Scotland would continue. Does he include the sleeper service from Plymouth, which has already been withdrawn?

Mr. Norris: I understand that services that are not in being will not continue. My statement was straightforward: I made it clear that, while the franchising director is considering the representations that he has received in relation to Anglo-Scottish sleeper services, existing services would continue.

The hon. Member for Streatham (Mr. Hill) is a great transport buff, and always makes an interesting and, indeed, emotional speech; but he really must not let hyperbole run away with him in support of an already thin argument. He presented an extraordinary notion of fees and the cost of privatisation. That is one of the great fairy tales of British political life: the hon. Gentleman decides on a figure, and then doubles it.

Mr. Keith Hill: What figure?

Mr. Norris: I will tell the hon. Gentleman the exact figure: indeed, that was my purpose in referring to his remarks. The hon. Gentleman should not worry about doubling the figure, however; the hon. Member for North Cornwall (Mr. Tyler) multiplied it by four. Whatever the figure advanced as the cost of this extraordinarily complex exercise, the Opposition parties generally add a nought and know that they will be on the safe side.

In fact, the figure is neither £240 million nor £700 million. Between April 1991 and May 1995, Department of Transport consultancy fees amounted to £29.9 million, costs of the Office of Passenger Rail Franchising to £16.9 million and the rail regulator's costs to £4.4 million. That gives us a total of £51.2 million.

It is fair to include the costs borne by British Rail and Railtrack, which will probably account for some £72 million. My maths tells me that the figure is around £123.2 million, not the £240 million mentioned by the hon. Member for Streatham or the £700 million that the hon. Member for North Cornwall implied would be spent by the end of the year.

Opposition Members, however, roll into the extraordinary figures that they present every part of the restructuring of an industry that is desperately trying to drag itself from the nationalised mess of the last half century into the modern world. Conservative Members, who made that point themselves, were perfectly clear about the value of the exercise.

The hon. Member for Streatham mentioned the travelcard. He really should know better. He is aware of the value that Conservative Members have consistently placed on the card, but he has allowed me to say just one more time that we remain entirely committed to its value and to the millions who benefit from it in London. He knows that, during the time—more than three years—that I have been Minister for Transport in London, I have made it clear that that commitment will continue. We have no hidden designs on the travelcard.

The hon. Gentleman also knows perfectly well that there can be no change to the PSR without the franchising director's approval, and that any proposal for a significant alteration in the level of service would have to be subjected to consultation with the rail users consultative committee and local authorities.

My hon. Friend the Member for Gravesham mentioned Ebbsfleet in connection with the channel tunnel rail link. I can confirm that the Government's position has not changed; they continue to regard Ebbsfleet as an important part of the rail link project. My hon. Friend also raised an important point, provoking the hon. Member for Fife, Central to his feet several times: he spoke of the great socialist belief in the monolith—the idea that, universally, bigger must somehow be better.

In some businesses—aviation is arguably one—size is indeed a virtue, but I believe that my hon. Friend was entirely right. In British Rail, the monolith has too often proved inflexible, unmanageable and unresponsive to customer demand. We must deliver the system into manageable units that offer a specific, focused, user-friendly service, maximising value for money and seeking out new markets and investment opportunities and more effective management.

Mr. McLeish: Will the Minister give way?

Mr. Norris: No, I do not have time.

The hon. Member for North Cornwall presented an extraordinary sight. As several of my hon. Friends have pointed out, we are now faced with the remarkable prospect of the Liberal party rushing far to the left of new Labour—as I believe we are now entitled to call it. The Liberal party is now the only party that calls for renationalisation. I noted, as the House will have noted, that the hon. Member for Fife, Central squirmed to avoid the very commitment that Liberal Members invited him to make. What an extraordinary proposition.

Just when we thought that a Conservative might be speaking, however, the hon. Member for Bolsover (Mr. Skinner) intervened in his own pithy way: "But you lot were in favour of it a few years ago, weren't yer?" I can assist the hon. Gentleman. Earlier today, I turned to a speech made in 1990 by the right hon. Member for Yeovil (Mr. Ashdown), in the aptly named Empress ballroom in Blackpool. He was extolling the virtues not of nationalisation, but, on this occasion—for goodness knows which way the weathervane of Liberal opinion was swinging on the afternoon in question—of privatisation.

The right hon. Gentleman said:

"In some parts of the US, citizens who use, for instance, solar panels to generate electricity have the right to put any excess they generate back into the grid, reversing their meters"—

and odd phrase, that, but we will not dwell on it—

"cutting their bills and providing power for industry.

So free competition there makes each citizen a power generator"—

my, there is a Liberal phrase to conjure with—

"saving costs, capitalising on the potential of alternative energy and protecting the environment—all at the same time.

And if we bring competition to the utilities, why not to British Rail?"

I have the words before me. They are in a Liberal press release, so I suppose the party was proud of them at the time.

In the words of my right hon. Friend the former Secretary of State, however, there is more. The right hon. Member for Yeovil went on to say:

"Nothing would increase the volume of rail freight more than allowing private industry to compete on the same basis as road freight."

Mr. Tyler: Will the Minister give way?

Mr. Norris: No.

The right hon. Member for Yeovil went on:

"Competition . . . is not an ideological talisman, still less an economic gimmick. It is simply a way of ensuring that the customer—the citizen—comes first."

Amen to that, say Conservative Members.

As we all know, however—I suspect that Labour Members know it too—the Liberals will say whatever they consider appropriate and convenient at the time. We are now confronted by the extraordinary spectacle of a Liberal leader—a man who has, on occasion, suggested that he might actually take a rein or two of office—saying that Liberal Democrats will buy back 51 per cent. of shares in Railtrack at the issue price, or the market price. How much will it cost? Half the value of Railtrack: a little more than £1 billion, or probably a good deal less.

Given that the Government's total spending bill is £300,000 million a year £200 million is perfectly affordable, according to the right hon. Gentleman. It is cheap, he says. The right hon. Gentleman reminds me of the noble Lord Healey, who once said, "A billion here, a billion there, and soon you are talking about quite serious money."

The reality is that the leader of a party which seriously pretends to office is so cavalier with public funds as to produce such an extraordinary statement. That is the leader of the Liberal Democrats' commitment, which he believes to be is clear, costed and responsible. The right hon. Gentleman will forgive me if I quibble with that last description.

The Government support the privatisation of the railways because we know the benefits that privatisation has brought, particularly to transport. Several of my hon. Friends have referred to the historic change which has been brought about in the fortunes of British Airways, a company which was a basket case but which has been transformed into a world leader. What is more, BA is operating in the harshest environment of all—that of free international competition—and still manages to out-perform its rivals, who often receive literally billions of pounds of state handouts.

BA's performance owes considerably to its privatisation, as does the performance of the British Airports Authority. The BAA is wreaking a huge change in the environment of airports, and is now winning contracts in the United States.

Mr. Charles Kennedy: Mr. Deputy Speaker, I beg to move that the question be now put.

Mr. Norris: That was an interesting intervention from the hon. Gentleman, and seems to suggest that the Liberal Democrats have decided that perhaps this debate was not a good idea after all. Perhaps the hon. Gentleman hoped that we might glide smoothly into the area of health policy, so that the Liberal Democrats could then grab every shroud and follow every ambulance they can as they think up yet another farrago of nonsense which they can dress up as some commitment to policy.

The truth may hurt, but the reality is clear. Whether we are referring to BA, BAA, National Express, the privatisation of ports or—as my hon. Friend the Member for Ryedale properly said—bus privatisation, the reality is that, in every case, privatisation and deregulation have brought substantial advantages.

It is extraordinary that we are debating this issue tonight. No serious economy anywhere in the world would move the kind of motion that we have seen from the Liberal Democrats tonight. The Russians are now perfectly clear that they believe in privatisation. In Nicaragua and El Salvador, one can hear the virtues of the free market expounded. But in Yeovil and in Ross, Cromarty and Skye, it is back to nationalisation and all its evils. One of my right hon and noble Friend Baroness Thatcher's greatest achievements was to set in motion a move towards the liberation of state industry which has been followed the world over, and with good reason.

We will go on to deliver the privatisation of rail services because that will liberate investment opportunities in a way unfettered by the public sector borrowing requirement. Privatisation will liberate management and will allow it, as my hon. Friend the Member for Blackpool, South suggested, to offer rail services that have been removed by the nationalised railway. Private operators are keen—not just in Blackpool, but in many other areas of the country—to restore such services, and they know how to run them profitably.

A change is already happening in terms of the way in which the train operating companies are showing concern for customers—which is, of course, at the heart of the private sector. They are building a modern railway that is efficient and responds to customers' demands, and is not dominated, as the nationalised railway has been, by the producers rather than by the consumers. If hon. Members from both sides of this House want to see the development of a railway fit for the 21st century, they must reject the motion and support the Government amendment.

Question put, That the original words stand part of the Question:

The House divided: Ayes 49, Noes 262

Division No. 201] **[7.04 pm**

AYES

Ashdown, Rt Hon Paddy
Banks, Tony *(Newham NW)*
Barnes, Harry
Beith, Rt Hon A J
Bermingham, Gerald
Bruce, Malcolm *(Gordon)*
Callaghan, Jim
Campbell, Mrs Anne *(C'bridge)*
Campbell, Menzies *(Fife NE)*
Carlile, Alexander *(Montgomery)*
Chidgey, David
Corston, Jean
Cunningham, Roseanna
Dafis, Cynog
Dalyell, Tam
Dunwoody, Mrs Gwyneth
Ewing, Mrs Margaret
Foster, Don *(Bath)*
Harvey, Nick
Home Robertson, John
Jackson, Helen *(Sheff'ld, H)*
Jones, Ieuan Wyn *(Ynys Môn)*
Jones, Lynne *(B'ham S O)*
Jones, Nigel *(Cheltenham)*
Kennedy, Charles *(Ross,C&S)*
Lewis, Terry
Livingstone, Ken
Loyden, Eddie
Lynne, Ms Liz
Mackinlay, Andrew
Maclennan, Robert
Madden, Max
Maddock, Diana
Mahon, Alice

Marek, Dr John
Michie, Bill *(Sheffield Heeley)*
Michie, Mrs Ray *(Argyll & Bute)*
Parry, Robert
Rendel, David
Salmond, Alex
Simpson, Alan
Skinner, Dennis
Spearing, Nigel
Steel, Rt Hon Sir David
Timms, Stephen
Tyler, Paul
Wallace, James
Wareing, Robert N
Wigley, Dafydd

Tellers for the Ayes:
Mr. Archy Kirkwood and
Mr. Simon Hughes.

NOES

Ainsworth, Peter *(East Surrey)*
Alexander, Richard
Alison, Rt Hon Michael *(Selby)*
Amess, David
Arbuthnot, James
Arnold, Jacques *(Gravesham)*
Arnold, Sir Thomas *(Hazel Grv)*
Ashby, David
Atkins, Rt Hon Robert
Atkinson, David *(Bour'mouth E)*
Atkinson, Peter *(Hexham)*
Baker, Rt Hon Kenneth *(Mole V)*
Baker, Nicholas *(North Dorset)*
Banks, Matthew *(Southport)*
Banks, Robert *(Harrogate)*
Bates, Michael
Bellingham, Henry
Beresford, Sir Paul
Booth, Hartley
Boswell, Tim
Bowis, John
Boyson, Rt Hon Sir Rhodes
Brandreth, Gyles
Brazier, Julian
Brooke, Rt Hon Peter
Brown, M *(Brigg & Cl'thorpes)*
Browning, Mrs Angela
Bruce, Ian *(Dorset)*
Burns, Simon
Burt, Alistair
Butler, Peter
Carlisle, John *(Luton North)*
Carlisle, Sir Kenneth *(Lincoln)*
Carrington, Matthew
Carttiss, Michael
Cash, William
Chapman, Sydney
Clappison, James
Clark, Dr Michael
Clarke, Rt Hon Kenneth *(Ru'cliff)*
Clifton-Brown, Geoffrey
Coe, Sebastian
Colvin, Michael
Congdon, David
Conway, Derek
Coombs, Anthony *(Wyre For'st)*
Coombs, Simon *(Swindon)*
Cope, Rt Hon Sir John
Couchman, James
Cran, James
Currie, Mrs Edwina *(S D'by'ire)*
Day, Stephen
Deva, Nirj Joseph
Dicks, Terry
Dorrell, Rt Hon Stephen
Douglas-Hamilton, Lord James
Dover, Den
Duncan, Alan
Duncan Smith, Iain
Dunn, Bob
Durant, Sir Anthony
Elletson, Harold
Emery, Rt Hon Sir Peter
Evans, Jonathan *(Brecon)*
Evans, Nigel *(Ribble Valley)*
Evans, Roger *(Monmouth)*
Faber, David
Fabricant, Michael
Field, Barry *(Isle of Wight)*
Fishburn, Dudley
Forman, Nigel
Forsyth, Rt Hon Michael *(Stirling)*
Forth, Eric
Fowler, Rt Hon Sir Norman
Fox, Dr Liam *(Woodspring)*
Fox, Sir Marcus *(Shipley)*
Freeman, Rt Hon Roger
French, Douglas
Fry, Sir Peter
Gallie, Phil
Gardiner, Sir George
Garel-Jones, Rt Hon Tristan
Garnier, Edward
Gill, Christopher
Gillan, Cheryl
Goodlad, Rt Hon Alastair
Goodson-Wickes, Dr Charles
Gorman, Mrs Teresa
Gorst, Sir John
Grant, Sir A *(SW Cambs)*
Greenway, Harry *(Ealing N)*
Greenway, John *(Ryedale)*
Griffiths, Peter *(Portsmouth, N)*
Grylls, Sir Michael
Gummer, Rt Hon John Selwyn
Hague, William
Hamilton, Neil *(Tatton)*
Hampson, Dr Keith
Hanley, Rt Hon Jeremy
Hannam, Sir John
Hargreaves, Andrew
Harris, David
Haselhurst, Sir Alan
Hawkins, Nick
Hawksley, Warren
Hayes, Jerry
Heald, Oliver
Heathcoat-Amory, David
Hendry, Charles
Heseltine, Rt Hon Michael
Hicks, Robert
Hill, James *(Southampton Test)*
Hogg, Rt Hon Douglas *(G'tham)*
Horam, John
Hordern, Rt Hon Sir Peter
Howard, Rt Hon Michael
Howarth, Alan *(Strat'rd-on-A)*
Howell, Rt Hon David *(G'dford)*
Howell, Sir Ralph *(N Norfolk)*
Hughes, Robert G *(Harrow W)*
Hunt, Rt Hon David *(Wirral W)*
Hunt, Sir John *(Ravensbourne)*
Hunter, Andrew
Hurd, Rt Hon Douglas
Jack, Michael
Jackson, Robert *(Wantage)*
Jenkin, Bernard
Jessel, Toby
Johnson Smith, Sir Geoffrey
Jones, Gwilym *(Cardiff N)*
Jones, Robert B *(W Hertfdshr)*
Key, Robert
King, Rt Hon Tom
Kirkhope, Timothy
Knapman, Roger
Knight, Mrs Angela *(Erewash)*
Knight, Greg *(Derby N)*
Knight, Dame Jill *(Bir'm E'st'n)*
Knox, Sir David
Kynoch, George *(Kincardine)*
Lait, Mrs Jacqui
Lamont, Rt Hon Norman
Lawrence, Sir Ivan
Legg, Barry
Leigh, Edward
Lester, Jim *(Broxtowe)*
Lidington, David
Lightbown, David
Lloyd, Rt Hon Sir Peter *(Fareham)*
Lord, Michael
Luff, Peter
Lyell, Rt Hon Sir Nicholas
MacGregor, Rt Hon John
MacKay, Andrew
McLoughlin, Patrick
McNair-Wilson, Sir Patrick
Madel, Sir David
Maitland, Lady Olga
Malone, Gerald
Mans, Keith
Marland, Paul
Marlow, Tony
Marshall, John *(Hendon S)*
Marshall, Sir Michael *(Arundel)*
Martin, David *(Portsmouth S)*
Mawhinney, Rt Hon Dr Brian
Merchant, Piers
Mills, Iain
Mitchell, Andrew *(Gedling)*
Mitchell, Sir David *(NW Hants)*
Moate, Sir Roger
Monro, Sir Hector
Montgomery, Sir Fergus
Needham, Rt Hon Richard
Nelson, Anthony
Neubert, Sir Michael
Newton, Rt Hon Tony
Nicholls, Patrick
Nicholson, David *(Taunton)*
Nicholson, Emma *(Devon West)*
Norris, Steve
Onslow, Rt Hon Sir Cranley
Oppenheim, Phillip
Ottaway, Richard
Paice, James
Patnick, Sir Irvine
Patten, Rt Hon John
Pattie, Rt Hon Sir Geoffrey
Peacock, Mrs Elizabeth
Pickles, Eric
Porter, David *(Waveney)*
Portillo, Rt Hon Michael
Powell, William *(Corby)*
Rathbone, Tim
Redwood, Rt Hon John
Renton, Rt Hon Tim
Richards, Rod
Riddick, Graham
Robathan, Andrew
Roberts, Rt Hon Sir Wyn
Robertson, Raymond *(Ab'd'n S)*
Rowe, Andrew *(Mid Kent)*
Rumbold, Rt Hon Dame Angela
Sackville, Tom
Sainsbury, Rt Hon Sir Timothy
Scott, Rt Hon Sir Nicholas
Shaw, David *(Dover)*
Shaw, Sir Giles *(Pudsey)*
Shephard, Rt Hon Gillian
Shepherd, Colin *(Hereford)*
Sims, Roger
Smith, Sir Dudley *(Warwick)*
Smith, Tim *(Beaconsfield)*
Soames, Nicholas
Speed, Sir Keith
Spencer, Sir Derek
Spicer, Sir James *(W Dorset)*
Spicer, Michael *(S Worcs)*
Spink, Dr Robert
Spring, Richard
Sproat, Iain
Squire, Robin *(Hornchurch)*
Stanley, Rt Hon Sir John
Steen, Anthony
Stephen, Michael
Stern, Michael
Stewart, Allan
Streeter, Gary
Sweeney, Walter
Sykes, John
Taylor, Ian *(Esher)*
Taylor, John M *(Solihull)*
Taylor, Sir Teddy *(Southend, E)*
Temple-Morris, Peter
Thomason, Roy
Thompson, Sir Donald *(C'er V)*
Thompson, Patrick *(Norwich N)*
Thornton, Sir Malcolm
Thurnham, Peter
Townsend, Cyril D *(Bexl'yh'th)*
Trend, Michael
Trotter, Neville
Twinn, Dr Ian
Viggers, Peter
Walden, George
Walker, Bill *(N Tayside)*
Waller, Gary
Wardle, Charles *(Bexhill)*
Waterson, Nigel
Watts, John
Wheeler, Rt Hon Sir John
Whitney, Ray
Whittingdale, John
Widdecombe, Ann
Wiggin, Sir Jerry
Wilkinson, John
Wilshire, David
Winterton, Mrs Ann *(Congleton)*
Winterton, Nicholas *(Macc'fld)*
Wolfson, Mark
Wood, Timothy
Young, Rt Hon Sir George

Tellers for the Noes:
Mr. Bowen Wells and
Mr. David Willetts.

Question accordingly negatived.

Question, That the proposed words be there added, *put forthwith pursuant to Standing Order No. 30 (Questions on amendments) and agreed to.*

Question accordingly agreed to.

MR. DEPUTY SPEAKER *forthwith declared the main Question, as amended, to be agreed to.*

Resolved,

That this House believes that privatisation offers the best opportunity for reversing the historic decline suffered by the railway system under nationalisation; and further believes that the privatisation of Railtrack offers the best future for Railtrack, and for passengers and freight users, by making greater use of private sector skills in managing the network and in providing greater scope for private capital investment in the upgrading of the railway system.

General Practitioners (Night Service)

7.16 pm

Mr. Alex Carlile (Montgomery): I beg to move,

That this House shares general practitioners' concerns as to the continuing provision of a high quality service by night as well as day, given increasing demands; seeks to facilitate improved methods of work so that general practitioners can provide a more flexible, clinically appropriate and more modern way of providing emergency care outside normal hours which is right for patients, fair on the taxpayer and manageable by family doctors; believes there should be a right for general practitioners to transfer responsibility for out of hours care to another general practitioner without unnecessary interference by the Family Health Service Authority; supports the need for substantial, ongoing patient education campaigns on the appropriate use of the out of hours emergency service; and calls on the Government to take all reasonable steps to avoid industrial action by general practitioners.

It is a matter for regret that I have neither the attention—*[Interruption.]*

Mr. Deputy Speaker (Sir Geoffrey Lofthouse): Order. Can we have some quiet on the Front Bench, please?

Mr. Carlile: Thank you, Mr. Deputy Speaker.

It is a matter for regret that we do not have the benefit of the presence of the new Secretary of State for Health on the Government Front Bench. The right hon. Gentleman would not be coming fresh to the situation, because he was once a junior Minister in the Department of Health, and should have a ready understanding of the issues that we shall discuss.

If the Secretary of State had come here, we might have been reassured that he had reviewed the stubborn attitude of the Minister of State, who as usual is grinning from his position on the Front Bench. Had he been born in Cheshire, he would not have needed transmogrification. Of course, it is still open to the Secretary of State to wind up the debate, but I think that we shall find that he does not like working out of hours, and so has decided to send his junior partner out on this call.

It is worrying that we should have a dispute of the kind that now exists on out-of-hours provision between Ministers, representing the Government, and general practitioners. It is extraordinary how the Government have managed to make fervent opponents out of a traditionally moderate profession. It is perhaps a pity that the Minister of State, who is present tonight, did not follow the slogans of his own patient education campaign in relation to this issue. One of those slogans, which one sees on surgery walls, reads, pithily, "Be nice, think twice." I realise that, for this Minister, that would have presented a formidable triple challenge.

Perhaps the Minister might take advantage of another of the slogans of the Government's rather weak patient education campaign: "Help us to help you." That is a bit bland but, if he repeated it when he got up each morning, he might find it easier to review this desperate issue between general practitioners and the Government. The leaders of GP professional groups could not be considered, even in the wildest of imaginations, to be revolutionaries set in a political cause against a Conservative Government.

I doubt whether Dr. Sandy Macara has a poster of Che Guevara on his wall; or that Dr. Ian Bogle has a poster of Danny Cohn-Bendit—or that they did even in their

[Mr. Carlile]

student days. Knowing those two gentlemen, I suspect that they were more likely to have been inspired by the likes of Winston Churchill and R. A. Butler, yet we find them challenging the Government because of their attitude towards the most basic part of the national health service—primary medical care.

For more than two years, the Government, led by the right hon. Member for Surrey, South-West (Mrs. Bottomley), the Minister of State and their colleagues in the Department of Health, have managed to reduce morale among GPs to a new low, to the very brink of industrial action. I and my Liberal Democrat colleagues want to avoid that, as do the majority of GPs, but there is a real danger that, unless the Government change their attitude now, the dispute will escalate. If it escalates, it will be to the disadvantage of patients. If it is to the disadvantage of patients, let it be known that, although the Government might try to blame the doctors, the Government will be to blame, not the medical profession; for it is plain that it is within the Government's capability to end this dispute successfully, if reluctantly.

If the Minister of State goes contrary to form and displays a change of mind tonight, we will hail that change. One always hails a good premiere. What one is rather bored by is a tedious repetition of past poor form.

Let us consider the problem, for there is a problem, that faces GPs. I have to confess—if it is a confession—to being a GP's son. I remember when we lived in Burnley in Lancashire, in the old house that contained the surgery, that, occasionally, the telephone used to ring at night and my father would go out to make a call. He had a big practice, but night calls were a rare occurrence in those days. Times have changed and demands have increased. By the time my father retired, the number of night calls had increased significantly, and the partners who succeeded him in his practice have been subjected to a burgeoning demand for night services.

By 1989-90, some 936,148 night visits were made by GPs. By 1993-94—albeit the statistics cover a two-hour longer period than in the year I have just mentioned—some 1.832 million night visits were made by GPs. The latest estimate that we have been able to obtain from the British Medical Association is that, in the past year, 2.3 million night visits were made. These are visits demanded of doctors by patients. A doctor turns down a night visit at his peril—if he does not attend and something goes wrong, he is in trouble. Doctors—or at least the health service—have to be able to meet that demand. The number of night visits has increased more than six times in 25 years, and it has doubled since the introduction of the new GP contract.

I should say that I am delighted to see that the new Secretary of State has joined the debate for a short time. I congratulate him on his appointment. As I said earlier, he comes to the Department of Health for a second time, I believe, and therefore with some experience. I shall repeat the hope that he might decide to wind up the debate himself rather than leave the out-of-hours provision to his junior partner, the Minister of State. It would certainly be helpful—I repeat this in his presence—to hear that the Secretary of State has immediately reviewed this very worrying dispute, which must have been taking up significant space on his desk when he arrived in his new office.

I shall now return to the problems faced by doctors. An average of six night visits a month are made by doctors, and an average of 36 patient consultations per month are made out of hours. Many of those consultations, of course, are not night visits. There is much anecdotal evidence of greater weekend demand than many people think exists. It is clear that weekend demand has risen as quickly as night visits. Patient expectation, but not always patient responsibility, has risen. It is right in a debate such as this—I hope that hon. Members on both Front Benches share this view—to be quite robust about the attitude of patients and to ask them to be far more considerate than they sometimes are towards their GPs and out-of-hours provision.

In our consumerist society, legitimised by the patients charter, patients are expecting more at all hours from their doctors. For what should be an emergency service, the anecdotal evidence of misuse is striking. One doctor tells of a call for a home visit only to find when he got there that the family he was called to had gone out for a walk. Another tells of a man who complained that his hands had gone blue and that he feared a serious circulatory problem, only to be told, when the doctor arrived on the emergency call, that he had received some blue dye from the overalls that he had washed earlier that evening. One woman even woke a doctor in the middle of the night to ask him to deliver sleeping tablets because she could not sleep.

Doctors are at times victims of the inconsiderateness of their patients, but they also find themselves picking up the pieces of a society broken by Government policy. They constantly have to deal with misplaced, often seriously psychiatrically ill, community care patients. They are often the only people to whom chronic schizophrenic patients, who have been dumped in loneliness in society, can go. They often have to deal with the drug and violence problems of inner cities and are at physical risk when they go out on night calls. In rural areas, doctors have to provide almost all the emergency medical cover. Indeed, they are often called out to do what turns out to be emergency dentistry, which they are not able to complete.

The situation is fraught with problems for GPs. In May of last year, after many months of negotiation, the BMA and the Government agreed on changes to GPs' terms of service. It had taken months to clarify whether GPs could use their own judgment to decide whether a patient required a home visit, which seems an extraordinary issue for the Government to argue about for so long, and it took many more months to decide how to implement a very small amount of flexibility in how out-of-hours care was provided.

Now, negotiations on the payment scheme have run into the sand, but it is not principally an issue about money. Doctors are not simply holding out for more money. The real issue that concerns the BMA is the form of the out-of-hours system. Doctors want to move away from a scheme that positively encouraged—perversely encouraged—GPs to undertake out-of-hours provision themselves, whatever the effect on their work, rather than use other people to do it for them, because they were paid more for doing it themselves, which seems irrational.

An offer of £2,000, plus £9 for each visit, was rejected as, for many doctors, it would be a direct pay cut. It is extraordinary how the Government believed that they

could offer doctors a pay cut as an incentive to accept a new contract. The offer was increased to a lump sum of £2,000 and a £20 fee for each night visit. That offer was also rejected, not on money grounds, but as a crude approach to the far more complex problems of the structure of and demand for out-of-hours care.

The Minister groans audibly when I say that the dispute is not mainly about money, which shows that he has not begun to understand the issues that the British Medical Association is trying to put to him. I suggest that he or, preferably, the Secretary of State, should meet Dr. Bogle and Dr. Macara shortly—I believe that the Secretary of State might well be intending to do so—so that a new view can be taken of what the dispute is really about.

The Minister for Health (Mr. Gerald Malone): It is not the British Medical Association that I have some difficulty understanding, but the hon. and learned Gentleman. In one voice he says that he is against what he says are the perverse incentives in the scheme. If I paraphrase him correctly, they are perverse incentives that mean that doctors are encouraged to do their own visits. What has happened is that, in the new fee structure, a different incentive reduces the perverse incentive that he criticised, yet he is criticising what we have proposed as well. Which does he prefer?

Mr. Carlile: I am afraid that I find that intervention totally incomprehensible. I suggest that the Secretary of State reads the submissions—if he will listen for a moment—presented to him by the BMA, start with a clean sheet and ignore the prejudices of his Minister of State, which have become the major obstruction to resolving the dispute. Sometimes it helps to take a new look. Perhaps the Secretary of State will do that.

Of course, money is part of the question. Indeed, Dr. Brian Hope of Salford suggested that not many Conservative Members would leave their lovers' beds for that sort of money unless it was to ask a parliamentary question. That was a rather unfair gloss on the real issue. It is not simply a pay dispute between a profession and its paymasters, but a dispute about realistic provision of high-quality patient care. The Minister can put his finger in the dyke, but the hole will grow unless the Government are prepared to study the structure of out-of-hours provision and produce a resolution for the future.

There is a way forward on six issues. The Government are right to support the development of GP co-operatives. They offer a good solution to out-of-hours care. Such co-operatives, however, cover only 17 per cent. of patients, and the National Association of GP Co-operatives would, I think, recognise that it will take a considerable time for them to be suitable for all types of area, particularly some inner-city practices and rural areas.

The whole profession, including the co-operatives, is united in the belief that the Government's £45 million offer has been made in a way that provides no equity between practices and areas of different types. My first suggestion to Ministers, therefore, is that they consider the way in which the £45 million has been offered and find out whether they can re-tailor it into a more equitable offer for general practices throughout the country.

In due course, I should like to hear from the Minister that the Government's door is open on the issue of distribution at least. It would be interesting to hear from him where that £45 million is to come from, however. Is it new money? That is a simple question and the Minister can answer yes or no. Is it new money? Perhaps the Minister would like a couple of hours to think about that question before winding up—so that he can give the sort of obfuscatory answer to which we are accustomed to hearing from him.

It is my suspicion, and that of many connected with the medical profession, that the £45 million is about to be lopped off other health service budgets, which will suffer as a consequence. That cannot be tolerated. If it is to be lopped off other budgets, the Minister should tell us where it is being taken from. We look forward to hearing an answer to those questions at the end of the debate.

My second suggestion for Ministers is that payment for out-of-hours calls should be available to all doctors who are qualified to practise as general practitioners. The present system is ludicrous. Only general practice principals can receive the £20 fee for a consultation, which means that, if a principal arranges for an on-call service to do his out-of-hours calls, the £20 fee is not payable. That seems manifestly unjust and militates against the provision of efficient out-of-hours care that does not put too much pressure on doctors.

Despite the amusement with which the Minister evidently regards this debate, my third suggestion is that the Government should set about redefining the contract. It is unclear to GPs how much of their contract covers in-hours work and how much covers out-of-hours work other than night calls. There is separate provision for night calls, but doctors deserve, and are entitled, to be told what proportion of the payment that they receive is intended to cover working during the evening, on Saturdays after lunchtime and on Sundays, all of which are out of hours.

How much of the capitation fee and the other allowances notionally covers evenings, Saturday afternoons and Sundays? The importance of having that information separately is that there is absolutely no reason why doctors should not be given the flexibility to arrange their practices and their activities by taking into account the answer to that question. It would enable some of them to manage their practices differently. It would enable some to hive off all their out-of-hours work and it might lead to the burgeoning development and rapid acceleration of GP co-operatives to cover more than merely the night calls that they cover at the moment.

Just as doctors are told what part of their earnings comes from night calls, so they should be able to negotiate their working arrangements to take into account other out-of-hours provision. That would also enable doctors who are inclined and able to do sessions in hospital to broaden their experience and provide more specialist services, to do so in a more manageable way.

My fourth suggestion for the Minister is that technology could be improved. Obviously one cannot use distance technology to deal with night calls. Computer facilities are not yet in every home. Technology can help the management of practices, however, and many general practitioners' practices now have significantly improved computer systems. The use of telecommunications technology, and its being made available to doctors in a cost-effective way through the national health service and the family health services authorities and their successors, would mean that they could work more efficiently, especially in rural areas and heavily populated inner cities.

My fifth suggestion relates to rural areas. I represent a rural area in which the population is widely spread, the largest town has about 11,000 inhabitants and there are

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many small settlements. In such areas, the provision of out-of-hours services is very different from that in a suburban environment. I invite Ministers to take the view that a special settlement is needed to ensure that facilities can be provided properly in rural areas.

My sixth suggestion concerns the efforts that have been made in patient education. They are commendable so far as they have gone, but they have footled around the edges of the matter. There is prime time advertising for all sorts of Government-sponsored campaigns. In my view, patient education should be such a campaign. The message is a simple one: caring doctors need caring patients. Getting that message across requires a fairly hard sell. We have yet to see that hard sell from the Government.

Mr. Robert G. Hughes (Harrow, West): The hon. Gentleman suggests that there should be television advertising and a big campaign to support the Government's plans for GPs. He may or may not be right, but is not that rather at odds with what has been said by his colleagues in the Liberal party who have criticised every advertising campaign the Government have carried out, whether successful or not, and used bogus figures to say that money is being wasted? He cannot have it both ways. Perhaps he can; he is a Liberal.

Mr. Carlile: The hon. Gentleman is factually wrong. The Liberal Democrats have always been happy to support campaigns that have not trailed the Government's party politics. Of course, we now know how the Government behave. We have a Cabinet of 24 in which two Ministers are there to serve not the country but the Conservative party. That is the political world in which we live.

We are prepared to give the Government the credit of our support if they are prepared to go in for non-partisan campaigns of patient education. The sort of campaign that has been run on drink-driving might well be effective in educating patients to be considerate towards their doctors.

I make a further suggestion to the Government. It would be worth looking, on a pilot project basis, at some different models for certain aspects of primary care provision. For example, provision of health care for the elderly chronically sick can make great demands both on GPs and on hospitals. Many hospitals have experience of, and excellent departments that specialise in, care for and diseases of the elderly. In some of the more populous areas, it might be worth considering modelling primary care so that it is provided using the hospital as a base rather than via GPs or in the hospital. I have received representations, not from the BMA but from individual doctors, suggesting that such an approach might help to take some of the strain from them.

The danger is that doctors will take the view that there is no point in co-operating with the Government and that the Government will have to solve the problem themselves. We could get a system in which some doctors just shut up shop at 5 pm and do not want the payment because it is not worth the effort. As a result, as in some continental countries, we might make patients reluctant to approach their doctors even when they need them. We have to try to find a balance. I believe that what the Government have offered falls far short of a balanced system. Indeed, the demoralisation of the medical profession is surely evidence enough that the Government have failed to find that balance.

There is a shortage of new doctors. One in eight places on general practice training courses is vacant. The shortage of new doctors is especially evident in practices that do their own out-of-hours cover. The recent vote by the BMA surely demonstrated the extent of demoralisation. There was a turnout of 77 per cent. of doctors—which would do many constituencies credit in a general election—and 82.6 per cent. of those who voted said no to the Government's offer; only 17.4 per cent. said yes.

The Government's response has been extremely poor. Thus far, they seem to have chosen to challenge the GPs. It might have been better for the profession and for the public if the Minister of State, who seems to have made the running on this issue, had joined the right hon. Member for Surrey, South-West, now the Secretary of State for National Heritage, in that attack of fugue, in the psychiatric sense, that sent her off deluded to another job which has put her in charge of fugue in the musical sense. I am not sure how the Minister of State would have done as a Minister of Music, but at least we might have had other new Ministers at the Department of Health singing in harmony rather than in the discord with which the Government are approaching doctors.

If we are to avoid a disaster for out-of-hours provision, the Minister must become a fugitive from his usual intransigence. It is perhaps a vain hope, but nevertheless it is a hope, that we might at last, at the end of tonight's debate, hear something positive from the Government.

7.45 pm

The Minister for Health (Mr. Gerald Malone): I beg to move, to leave out from "House" to the end of the Question and to add instead thereof:

"notes that the Government has continued to meet the recommendations of the independent pay review body for general practitioners' pay, which is for a 24 hour commitment to their patients; welcomes the Government's constructive approach to addressing the profession's concerns, which includes an extra £45 million to support general practitioners' out of hours services, makes it possible for general practitioners to transfer responsibility for providing out of hours cover to another doctor and restructures payments so that the average general practitioner will receive an extra £800 per year for night visits; supports the approach of the Patient's Charter, which stresses to patients that with rights come responsibilities; and believes there is absolutely no case for general practitioners to take industrial action which would inevitably harm patient care."

If that is the sort of the stuff that the hon. and learned Member for Montgomery (Mr. Carlile) comes out with on behalf of his clients in court, I hope that he does not have the nerve to charge them anything for it. It was a mixture of relatively pompous and personal points, which I did not mind.

I think it is good that a Minister should sit on the Front Bench happy with his lot and that he should grin occasionally—with his supporters firmly behind him, backing the Government's cause—moving onwards to destroy the hon. and learned Gentleman's arguments. Of course I am happy with my lot; the hon. and learned Gentleman will have to put up with that. He will see that I smile from time to time as he makes the odd bon mot, with which I intend to deal in my remarks.

The hon. and learned Gentleman offered a poor agenda for change and failed to acknowledge the substantial way in which the Government have moved on the issue and

have listened to GPs and to the arguments advanced by the British Medical Association over a considerable period, not least since I joined the Department last July. In my own defence, I must say that it is entirely wrong to say that we have not listened; we have. We have responded a great deal and in detail to the concerns, many of which were set out by the hon. and learned Gentleman and some of which I will be able to respond to fairly positively this evening.

Perhaps it would be helpful to the House if I put firmly on record the Government's current offer. Our offer is designed to meet the concerns about work load and about pay for out-of-hours work. The two go together. I notice that the hon. and learned Gentleman fell into the trap of saying that, of course, it was not about money and then in the next breath that it was something to do with money. The truth of the matter is that it has to do with both. That is why the Government's offer has been constructed carefully to meet both the work load argument and the out-of-hours pay argument.

Let me go through the essentials of the offer currently on the table. An extra £45 million has been provided for GPs within the overall health budget. Its purpose is to support alternative out-of-hours arrangements and to give GPs more flexibility and choice in managing their work load. As I said, that money comes from the total national health service budget, which in England is more than £30 billion per annum. It is not from—and this must be the concern of GPs—funds that would otherwise have been devoted to general practice. As far as GPs are concerned, it is new money that was intended to be brought to bear on a specific problem. The hon. and learned Gentleman is quite wrong to suggest that the Government have not been specific about that. We have been specific from the outset and I endorse what we have said on that point before.

The hon. and learned Gentleman asked how the arrangements will work. The offer was put on the table not in a prescriptive sense but in the hope that we could reach an agreement in principle with GPs and talk through the detail.

The hon. and learned Gentleman mentioned a number of schemes, including 24-hour primary care centres. Such schemes will be in our mind when spending the £45 million on the arrangements that we want to put in place to guarantee and underpin quality out-of-hours cover.

Since I was appointed, I have made a point of spending a great deal of time in general practices to see what the problems are and how out-of-hours care is provided. In particular, I have made a point of talking to GP co-operatives and to those who represent them in their national association. Anyone who takes an interest in such matters will understand that a number of basic arrangements are in place, such as GP co-ops. Some have been established in Kent, and I visited one in Reading. Interestingly, the one that I visited in Reading also dealt with rural areas.

It is important to dispel the myth that co-operative arrangements cannot by their very nature deal with the problems of rural areas; in certain circumstances, they can. The hon. and learned Gentleman mentioned rural areas specifically. I recognise that they can have special difficulties, which is why we said that we would consider special arrangements whereby some of the £45 million can be devoted to locum arrangements for GPs in rural areas if it is not possible to form a co-operative. The Government's mind is open on that point, and the Secretary of State's door is open not only on that point but on others too.

I take this opportunity to make it clear to the House and to the hon. and learned Gentleman that my right hon. Friend the Secretary of State will be meeting GP representatives about that very issue: the date is set for Thursday this week. Of course, he will be extremely keen to listen to all that they have to say, and it is right that he should do. As I have said before, I hope that the meeting will provide an opportunity to take matters further.

The hon. and learned Gentleman referred to a fundamental issue but did not examine it in detail. Where the Government part company from those who are arguing about this issue is the separation of the 24-hour contract. It is vital for the quality of primary patient care that someone must have custody of that care. The way in which the system developed in the health service—before the 1990 contract and after the 1990 contract, which reinforced it—is that the GP principal closest to the patient must have custody of that patient's care. Of course, that GP cannot be expected to provide care 24 hours a day, seven days a week and 365 days a year. That is why there are other arrangements for cover, such as sharing within a practice, joining a GP co-operative, using deputising services or making more permanent arrangements to transfer the responsibility from one GP to another.

I reiterate the Government's determination not to undermine that element of patient care but to examine reasonable mechanisms under which doctors' work loads can be shared as long as there are permanent quality arrangements in place. We have made it clear in the negotiations that we are happy to examine the regulations, and have offered to do so, so that doctors who want to move more permanently out of out-of-hours work will be able to do so.

The original offer for night visit payments was a flat rate of £2,000, which would enable a number of doctors to employ deputising services up to that amount. In addition, there was a £9 fee if the visit was to be undertaken by a GP principal. We have moved a long way on that issue, and the fee now being offered is £20—more than double the original offer. The average general practitioner will receive an extra £800 a year for night visits compared with the arrangements currently in place. It is therefore entirely wrong for the hon. and learned Gentleman to say that, even with that specific mechanism delivering a part of the payment due to them, doctors will be worse off under the Government's proposals.

I must set out the Government's record on pay in general. The hon. and learned Gentleman told the House that morale was at an all-time low. The implication of his remarks was that the Government have behaved badly towards the profession for a long time. Since 1979-80, pay for general practitioners has increased in real terms by 40 per cent. That is a record of which the Government can be proud. It underpins the importance that we attach to general practice, and I hope that it is a record that the medical profession recognises.

Mr. Alex Carlile: Will the Minister say why increasing numbers of GPs are now retiring in their early fifties to avoid the burden that they believe is involved in working in the national health service?

Mr. Malone: If the hon. and learned Gentleman scratches the surface, he may discover that quite a few

[Mr. Malone]

retirals are followed by a return to a temporary practice or a move to another sector of health care. It is ludicrous for the hon. and learned Gentleman to suggest that, by paying doctors an average of 40 per cent. more, we are encouraging them to leave the profession. In overall terms, doctors have been extremely well treated by the Government and well served by the independent review body system. The implication of the hon. and learned Gentleman's comments is that the work load is too great. The work load has changed, and the very structure of the way in which GPs provide services is very different from what it was even a few years ago.

One hears the stories that go around, but I must set them in their proper context. I wish to put the facts firmly on the record. There is an average of 70 night visits a year per general practitioner. That means six a month. The work load survey is the best available overall evidence about work loads and it is far more reliable than the odd individual and sometimes unsupported anecdote that we sometimes hear. The British Medical Association participated in the survey that was submitted to the independent review body.

The 1992-93 survey revealed that doctors work an average of 31.9 normal hours a week, 6.9 out of hours—including two hours on night visits—and 19.2 hours on call. The problem is that the anecdotes on which much of the general debate on out-of-hours care is based are not supported by the work load study. The study also revealed that, between 1989-90 and 1992-93, working hours increased by 2 per cent. but remuneration increased by 8 per cent. in real terms. By any national indicator and across the system as a whole, which is what the independent national review body must consider, doctors have been well supported in cash terms. They have also been well supported in terms of their work load.

Listening to the hon. and learned Gentleman and other Opposition Members, one would think that the changes in the role of the general practitioner had occurred unsupported. Let us run through the figures relating to GP support. The number of all-staff support in general practice is up from 37,000 in 1989 to 51,000—a 38 per cent. increase. The number of nursing staff has risen from 4,600 to 9,099, a virtual doubling of their number. The number of non-nursing staff is up from 32,000 to 42,000, a 30 per cent. increase, and the direct cost of providing those increases in staff has risen from £242 million to £510 million. That is not an unsupported system, which is how the hon. and learned Gentleman chose to portray it.

It is clear that there have been changes and developments in what GPs do. More care is rightly provided in the primary sector. Indeed, it is the purpose of a primary care-led national health service, but the hon. and learned Gentleman's suggestion that all this has happened with GPs picking up the burden unsupported, either in terms of those who work within practices or in terms of the Government's cash commitment to ensure that they are properly paid, is quite wrong. It is an argument that I refute absolutely.

The Government have responded to the concerns that have been expressed over some time in a variety of meetings between the British Medical Association and me and between it and my right hon. Friend the former Secretary of State. Part of the difficulty has been that, as we have made progress in a number of areas, the goalposts have occasionally been shifted and new arguments put. That is what has happened now, and the hon. and learned Gentleman will be well aware of a call, on the record, to look at the total separation of the 24-hour contract into two parts.

Before that proposal is considered, we must consider its implications. It would mean, for example, that a patient would have to look to two GPs for their services through a 24-hour period. What would out of hours mean? Would it still be an option for a GP to do some out-of-hours service and merely to relinquish the responsibility for night calls? Would the split operate from 6 o'clock in the evening, or at 10 o'clock? To whom would the patient look?

That separation is a dangerous road to travel and would be against the history of the way in which primary care has developed since the NHS came into being. It would be bad for the quality of patient care and it would be a retrograde step. When the hon. and learned Gentleman starts to embark on that path, I wonder whether he has really considered all the implications.

I understand what GPs' leaders are telling us: family doctors are finding it increasingly difficult to balance the demands of their out-of-hours work and their home life. We do not underestimate that strength of feeling. We recognise that GPs work extremely hard, and we are determined to address those concerns not just for the benefit of GPs but to safeguard the quality of patient care.

The importance of underpinning that quality of care was brought home to me recently in an Adjournment debate. A difficulty had arisen in a case of out-of-hours cover. The important thing was that at least the patient knew to whom she could turn. It is important to continue to encourage the high patient satisfaction that is delivered through primary health care, which is one of its greatest assets. We must be extremely careful not to build into that system the potential for demarcation disputes and uncertainty about to whom the burden should be passed. They would cause great difficulties and would not do the profession any good in the long term.

I reiterate that, within the context of the present system, we wish to make progress and explore what has been said recently by the profession to see whether we can build further on our initiatives. The hon. and learned Gentleman mentioned one extremely important initiative: how patients address and use their GP service. I must say to him that it was slightly fanciful—I do not know whether he thought it through—to suggest that we should launch a multi-million campaign, with me, as the Minister, on television instructing patients on how they should behave. It appears that that would be compelling and would result in patients changing their practice. My hon. Friends might be rather interested to see such a demonstration, but I am not sure that it is one that I would support.

If patient practice needs to be changed, the people to lead that must be medical practitioners, because it is important for them and their professional futures that they do nothing to undermine their relationship with their patients. In many cases that lead has already been taken. I recently visited a practice in Essex where a patient education campaign was vigorously under way. Details of how it operated were contained in the patient practice brochure, which had been issued to all patients. Out-of-hours calls had reduced significantly as a result.

The Government are prepared to help and build upon that sort of initiative, and I hope that we can move forward on the issue.

Mr. Alex Carlile: I am glad that a practice has been able to achieve something with a patient education campaign. Does not the Minister agree, however, that there is a serious problem with the view that some patients have of the NHS, exemplified by the 11 million-plus hospital appointments which were not kept in the last year for which statistics were available? Does he also agree that many GPs are not as skilful in managing their practices or patient relations as the example that he gave, particularly those hard-pressed, single-handed GPs who are attempting to function in some inner-city practices? Does not he think that the Government should bear the responsibility for patient education for the great mass of patients?

Mr. Malone: I have already said that we are prepared to help and support schemes, but I would wish to talk through with the profession how one could do that in detail. We are engaged in that process. The hon. and learned Gentleman should know that evidence exists of best practice and good practice around the country. I have told the medical profession that, if we can reach common ground on the out-of-hours issue, we can then proceed with patient education. The thought that such a programme could proceed against the background of the proposed industrial action of the medical profession is somewhat fanciful. That would undermine the process from the start. To embark on such a programme now would not represent a sensible use of public funds, nor would it achieve the result that everyone is seeking.

We have heard from the hon. and learned Gentleman many of the arguments that have surrounded the issue over time, but not much that illuminates the initiatives that he and his party would take and that would go much beyond what the Government are doing.

Mr. Alex Carlile: I offered six new ideas.

Mr. Malone: I listened to those six ideas, and quite a few of them happen to be precisely what the Government are already doing. The hon. and learned Gentleman mentioned rural areas, and I have set out precisely what we are doing in that respect. He mentioned patient education, and I said that the Government are prepared to respond to that proposal. He mentioned a range of novel ideas about providing out-of-hours care. I have explained that we prepared to look at such care and innovate and have set aside £45 million for that purpose. Much to my regret, as long as the problem with out-of-hours work continues, that £45 million lies unused either for the benefit of GPs or their patients. It could be used to improve the services from which patients would benefit.

The hon. and learned Gentleman spoke about increased use of technology. I do not know what he meant by remote technology in the home. I suppose that even the Liberal party has caught up with the introduction of the telephone around the country. In extremely good practices, especially in 24-hour primary care centres, a lot of consultation can be carried out by telephone to reduce the burden on GPs. I am on all fours with the hon. and learned Gentleman on that practice.

The only point on which I disagreed with the hon. and learned Gentleman related to the separation of the contract. Were he to follow a route towards a double structure of primary care, he would be wrong.

We have moved some distance in the past few months in response to what doctors have said to us about two key areas. First, we must not compromise the quality of patient care in reaching a new arrangement for out-of-hours work and, secondly, we must strive to reduce the worst of the work load burden, and I am happy to consider whatever arrangements could be introduced by GPs to assist.

Substantial progress on the new arrangements has been made, which must be recognised by the House, not just on its own merits but especially in the context of the way in which the Government have underpinned their commitment to general practice in words of encouragement and in deeds, cash and commitment over a lengthy period.

I hope that we can put the current problems behind us soon. I hope that, when my right hon. Friend meets the profession later this week he will be able to make further progress, because it is in the interests of patients that we resolve that matter quickly.

8.9 pm

Mr. Nicholas Brown (Newcastle upon Tyne, East): This is the first parliamentary occasion that I have had to congratulate the right hon. Member for Loughborough (Mr. Dorrell) on his appointment as Secretary of State for Health, and I congratulate him on my own behalf and on behalf of my right hon. Friend the Member for Derby, South (Mrs. Beckett), unreservedly. I welcome him to his appointment and congratulate him on his merited promotion.

I also take careful note of the fact that the Minister of State is still with us. He said that he was happy with his lot, and if he is happy with his lot we are all happy for him.

The hon. and learned Member for Montgomery (Mr. Carlile)—rather churlishly, I thought—regretted the absence of the Secretary of State for the opening minute and a half of the debate. That was rather to overlook the much more welcome, and I hope permanent, absence of the previous Secretary of State.

The Liberal Democrats in their motion tell us, among other things, that we should aspire to a pattern of out of hours services

"which is right for patients, fair on the taxpayer and manageable by family doctors"

and appropriate for 21st century health care. Opposition Members would certainly aspire to that, and I congratulate the Liberal Democrats on phrasing their motion in that way.

The words were not original; I guess that that will not come as a surprise to the House. They were lifted from something that the right hon. Member for Peterborough (Dr. Mawhinney) said in 1993 when he was Minister for Health. So that is a part of the Liberal motion that can unite both sides of the House.

The case for debating the increased demand for out-of-hours service is well made. Demands have increased by five times in the past 25 years and doubled in the past three years. The hours worked by general practitioners during the out-of-hours period—as was at least implicitly conceded by the Minister of State—have increased. They have increased by 49 per cent. since 1985-86, the middle of the last decade.

[Mr. Nicholas Brown]

GPs undertake twice as many night visits now as they did before the new contract was introduced. The number now is 2.3 million visits per year, and that compares with 1.1 million in 1989-90. Twenty-three per cent. of doctors spend 80 hours or more a week providing services to patients and being on call, and the cost of out-of-hours service to the national health service has quadrupled in recent years to £82 million a year. That follows the renegotiation of the general practitioner's contract in 1990.

The Chancellor of the Exchequer can hardly fairly complain about that quadrupling of the cost, because the present Chancellor of the Exchequer was the Secretary of State for Health who renegotiated the contract.

It is right for the House to pause and ask itself why demand for out-of-hours services from general practitioners is growing, and appears to be growing disproportionately. There are several possible reasons.

The research on that subject is quite thin, so, although the Minister of State rightly deplored relying on anecdotes, to some extent we have to, because his Department either has not done the research or is not sharing the research with the rest of the House. I suspect that the latter, rather than the former, is more likely.

There is a growing consumer culture—a culture that is encouraged by the patients charter, which has brought the language of consumerism into the health service. People are told of their entitlement or right to be seen by a GP at any hour of the day or night, and I notice that, in the Government's amendment to the Liberal Democrat motion, they refer to supporting

"the approach of the Patient's Charter, which stresses to patients that with rights come responsibilities".

You would expect, Mr. Deputy Speaker, that the rights and responsibilities would be expressed even-handedly in the patients charter, so I thought I should check that that was so, because that was not the impression that I received on first reading the document. I decided to thumb through my copy, looking, not for the rights—the document is full of what it describes as "rights" and "expectations"—but for the word "responsibilities", to note where responsibilities were mentioned.

A paragraph on page 10, right at the bottom, says:

"You can help the NHS by only calling out your GP at night if it cannot wait until the next day",

which is a perfectly fair thing to say. Later in the document, at page 24, there is another duty as opposed to entitlement, where the document says:

"Warning—don't keep old medicines around the house. Please return them to your pharmacist for safe disposal."

The rest of the document is full of, "you can expect this, you can expect that; you are entitled to this, you are entitled to that". I read on, in search of the section that mentioned responsibilities, which the amendment to the motion suggests that I might find. It is not until one reaches page 28 that the word "responsibility" appears at all. It does say that if you must use the services,

"you can help the NHS by using its services responsibly"

and it suggests that patients

"return equipment such as wheelchairs"

and

"crutches . . . when you no longer need them"

and become a blood donor and always carry an organ donor card and so on.

Right at the bottom of page 28, the last page of the document, it says:

"remember that you benefit if your GP has a good night's sleep, so please only call your doctor out at night if it cannot wait until the next day."

I believe that the Government are pushing it somewhat to describe the construction of the document as stressing "that with rights come responsibilities".

The patients charter does no such thing.

Mr. Michael Fabricant (Mid-Staffordshire): I too have a copy of "The Patient's Charter and You", and I have been looking through it. In fact, the mentions of out-of-hours treatment are all on page 10, and there are two statements. One is:

"when it is and is not appropriate to call on your GP for out-of-hours treatment"

and the other is the line that the hon. Gentleman read:

"You can help the NHS by only calling out your GP at night if it cannot wait until the next day."

That seems to me to be an especially balanced approach to out-of-hours visiting. It is all very well for the hon. Gentleman to play games with his computer or count through manually when responsibility is and is not mentioned, but it is not fair to say that that is a reflection of what the charter is all about.

Mr. Brown: The hon. Gentleman suggests that I exercised enormous skill and spent an enormous amount of time checking how many times the word "responsibility" is used in the patients charter. As the word occurs only once, it did not take me long.

Mr. Fabricant: You had to read it.

Mr. Brown: As the hon. Gentleman fairly says from a sedentary position, it put me to the obligation of reading the patients charter, but, as I am the shadow Minister of State and therefore required to take an interest in such things, that is perhaps no bad thing.

As I have diligently done my bit to prove my point, I hope that the hon. Gentleman will do me the courtesy of now going through the document and telling me how many times the word "expect" occurs. He will no doubt have completed his research before 10 o'clock, and can perhaps intervene on another speaker to tell me what he has discovered.

Mr. Matthew Banks (Southport): So this is what you use Short money for, is it?

Mr. Brown: The hon. Gentleman, as he intervened from a sedentary position, appears to suppose that I am using his hon. Friend as an unofficial deputising service. I am sure that he can serve in that capacity as long as he starts counting now.

It is obviously also the case that, in a society in which people are used to consuming services late at night—taxis, chemists, late night shopping, fast food delivery—it will occur to them to try to consume medical services late at night. Indeed, the universal availability of the telephone, which the Minister mentioned, has meant that people are now used to telephoning for things that they certainly were not used to telephoning for when the original terms and conditions of the general practitioner's contract were set, because people did not have telephones when the

service was first structured as it now is. There is an expectation that general practitioner services will be available at night, that they can be summoned up as of right and that an entitlement exists. The Government's patients charter has done much to underpin that way of viewing the service. I also believe, although it is difficult to find hard evidence to make the point precisely, that, to some extent, emergency services—there is a parallel with the ambulance service—are used as a substitute for the more conventional provision of primary care.

Having said all that, it would be wrong for the House to overlook the fact that much of the out-of-hours work performed by general practitioners is genuinely needed. It would also be wrong of us to overlook the fact that most of our fellow citizens consume the national health service in a responsible way. There can be no doubt—there is no quarrel over the issue between myself and the Minister—that pressure on the service has increased. I am certain that it has an effect on general practitioners' work load and morale.

There has been a drop in the number of people coming forward to train as GPs—a 15 per cent. drop since 1990. There has been a similar drop in the number of more senior doctors coming to general practice having been hospital doctors, having worked abroad or even having left the service temporarily for family reasons. There is also an increasing trend towards early retirement, as we discussed earlier. That is facilitated by the early retirement package for GPs, which allows general practitioners to quit at 50 with a lower pension. General practitioners still find that attractive and avail themselves of the package. The issue will not go away, and it clearly has to be addressed.

I am certain that the solution is not to be found in ending negotiations. I am equally certain that the solution will not be found in industrial action in the national health service, which I oppose. The issue is not primarily about money, although money is involved. It is a little rich for the Government amendment to refer to

"payments so that the average general practitioner will receive an extra £800 per year".

The figure is arrived at through the complexities of the GP contract and the complexities of the way in which general practitioners are paid.

I believe—I stand to be corrected if I am wrong—that within the figure of £800 the Government include money that would be carried forward from last year's underspend. The money would be paid to general practitioners in any event and is not new money specifically to be paid to general practitioners for the out-of-hours service. If I have misunderstood that or have misrepresented the Government's position, I shall happily give way to the Minister. I think that I am broadly right in saying that the figure of £800 is as high as it could be and includes money that would fall to GPs anyway.

Mr. Malone: The hon. Gentleman will understand that the mechanisms in place do not always deliver the money to GPs. The point about the change in the fee structure mechanism now proposed is that it will deliver money. When compared with the present structure, GPs will be, on average, £800 better off.

Mr. Brown: I rather thought that I had got it right. If I ever get into terrible trouble and if the Minister of State is in private practice I shall almost certainly employ him to represent me in the courts—I certainly would not employ him as a doctor. The Government are clearly inflating their £800 figure to get it as high as they can. It does not represent new money given to general practitioners that they would not otherwise receive. That is what the Government seem to be trying to imply, but it is not true.

Mr. Malone: I am grateful to the hon. Gentleman for giving way again, because it is a fairly abstruse point.

It is of course the case that the global pool of money that the independent review body recommends is delivered in a number of different ways through different fee mechanisms. What the hon. Gentleman says is right: the money is part of that funding. But it is funding that may not have been drawn down, and will now be delivered. What the review body will recommend in succeeding years will depend upon what is paid this year. It is important to draw the money down at an earlier stage rather than leave it there untouched. The hon. Gentleman's suggestion that it does not matter because the GPs would have got the money anyway is wrong. It is a figure that they will receive, on average, in addition to what they would otherwise have received this year.

Mr. Brown: If the Minister is now saying that there was some prospect that the element that stood to be carried over would not have been carried over, he should say that to the GPs rather than to me. He would be announcing a new concept. I do not think that it is for the Minister to withhold the money—the Minister shakes his head and confirms that the position is as I understand it.

If the solutions are not to be found in industrial action, which the Minister and I oppose, it logically follows that negotiations must continue. That is clearly the right way to proceed. The solutions will not be found in simplistic statements. I was slightly surprised to hear a leading Conservative intellectual, the hon. Member for Harlow (Mr. Hayes), say on the "Today" programme in early June, when stating the position on behalf of the Government:

"If someone rings up a GP and says I've got a sore throat come and see me, you tell them to get lost, don't you."

Such simplistic solutions will not help, and I do not think that the solution lies in that approach.

There is merit in a public education campaign. Although the Minister clearly disqualified himself from playing a leading role in it, I do not think it would do any harm if the Minister went on television and explained what the out-of-hours service was for and what it was not for. Those are not points about which the major political parties are quarrelling, so why not spell out how the service should be used responsibly and, perhaps, give some examples of irresponsible or inappropriate use of the service? I do not believe that a public education programme will solve the problem, but it has a part to play.

The solutions lie in a co-operative way of working in general practice. The internal market exacerbates the problems. The Labour party's policies, with the emphasis on public service rather than the internal market, go a long way to resolving the problems. In our new policy document, we advocate closer co-operation between GP practices and local health authorities, both in the commissioning of hospital services and in the planning and development of primary care.

A successful solution to the problems faced by general practitioners providing out-of-hours service has been the formation of local GP out-of-hours co-operatives. One such example is the out-of-hours co-operative in the

[Mr. Brown]

Kensington, Chelsea and Westminster health authority. Under that scheme, local GPs can sign up with the co-operative and divert all out-of-hours calls to the co-operative switchboard. In return, the GP agrees to participate in a duty rota for taking calls and making home visits organised by the co-operative.

As well as that excellent example of co-operation, the co-operative goes further and employs drivers to take the general practitioners to the patients' homes. That relieves the GP of the stress of navigating and driving alone to different parts of London. The scheme fosters a welcome team spirit among GPs on night duty and reduces the likelihood of GPs being attacked while making home visits—the more so as they have the driver with them. It is a more efficient way of dealing with out-of-hours calls and it significantly reduces the burden on individual GPs.

Another example—again, wholly in line with the health policies recently launched by the Labour party—is the one-stop shop such as the one in Norwich, which provides advice and information to local people. The scheme is intended to change the pattern of primary care delivery to meet the needs of today's population. Out-of-hours services are certainly among the range of services that the Labour party is keen to see improved in order to benefit patients and to relieve the pressure on GPs which, it seems, will remorselessly increase as they have to carry out their out-of-hours services.

Our proposals for co-operative working between GPs in the commissioning and planning process lend themselves to the possibility of locality groups of general practitioners setting up out-of-hours co-operatives and one-stop health shops. That is in complete contrast to the Government's approaches, which are underpinned by the national health service reforms. In many instances, fundholding has forced GPs into competitive relationships with their professional colleagues.

We want to replace competition in the health service with co-operation. We believe that all health care professionals will want to co-operate with each other, with the aim of delivering ever-higher standards of patient care. The competitive requirements of the internal market work against co-operation and hinder the development of innovation which brings with it efficiency in the health service and, dare I say it, greater benefits to the patients.

8.30 pm

Mr. Bob Dunn (Dartford): I had intended to welcome the Secretary of State to his new post and to wish him well within his new terms of reference. However, as he is not in the Chamber, I shall not do so.

When the Liberals hold their weekly meeting and examine the success of the two half-day debates, I think that they will conclude that they have been an utter waste of time. In the last debate, the Minister for Transport in London successfully duffed up the Liberal party on its proposals for the railways, and I think that we are about to see a repeat performance in this debate, as I have heard nothing so far to convince me that the Government have got it wrong with regard to out-of-hours patient care. In fact, my support for the Government is reinforced by what I have heard from the Liberal Benches today.

I am sorry that the Liberal Democrat spokesman, the hon. and learned Member for Montgomery (Mr. Carlile), and his parliamentary minder the hon. Member for Roxburgh and Berwickshire (Mr. Kirkwood) are the only Liberals present, as it would have been of benefit to all their colleagues to listen to the debate and understand why the basis on which they applied for it is wholly misguided.

Mr. Matthew Banks: If the parliamentary minder,the hon. Member for Roxburgh and Berwickshire (Mr. Kirkwood), had not been present, the hon. and learned Member for Montgomery (Mr. Carlile) would not have realised that the words of the motion that we are debating this evening were those of our parliamentary colleague, the right hon. Member for Peterborough (Dr. Mawhinney). That was clear from the exchange that took place when the matter was referred to earlier. *[Interruption.]*

Mr. Dunn: I will try to speak above the outbreak of frustration from the Liberal Benches. I am happy to respond to my hon. Friend's point. He is entirely correct: it is a very strange debate on a very strange day.

When I was much younger, I remember reading the history of the Liberal party—it is always wise to read about the history of one's opponents. The Liberal Democrats were once a great party. In our constituencies we probably have—as you do, Mr. Deputy Speaker—a Grenville street, a Gladstone road and a Rosebery gardens, but will we find an Ashdown street on the new housing developments in our constituencies?

Mr. Alex Carlile: Will the hon. Gentleman give way?

Mr. Dunn: No, but I shall give way shortly. I want to finish this important point.

I suspect that we shall not see an Ashdown street, a Carlile road or a Beith gardens in the new housing developments in our communities. It is more likely that we shall find an Ashdown tip or an Ashdown recycling plant, because that would be appropriate to the once great party that is now reduced to a parliamentary sect.

The Liberal Democrats are no longer a party because, according to my definition, a political party has to be based on a philosophy; it must have principles. The one thing that the Liberal party has shown itself to be to date is a wholly unprincipled party without a philosophy. It is no longer motivated by philosophy, but by opportunism—as we can see at all levels of government, from parish to Parliament.

I wish to make an important announcement to the House, if I may, Mr. Deputy Speaker. Earlier this week, we heard that a Mr. Steven Stenton, who was until the weekend a Liberal Democrat member of Kent county council, decided that his future no longer lay with the Liberal Democrats, and on Monday he applied to become a member of the Conservative party.

Mr. Carlile: Will the hon. Gentleman give way?

Mr. Dunn: I am in full flow. I will give way in a moment. That now increases—

Mr. Deputy Speaker (Mr. Michael Morris): Order. I am not sure whether the gentleman referred to is a patient or whether he attended out of hours. Either way, perhaps the hon. Gentleman will assist the Chair by returning to the motion.

Mr. Dunn: I mentioned the incident because the defection took place out of hours, Mr. Deputy Speaker. It took place at the weekend.

Mr. Carlile: Does the hon. Gentleman accept that his "full flow" simply confirms what a dry summer it has

been? Does he accept that all political parties, including the Conservative party, have their loonies and that we are happy to see the odd loony go to the Conservative party rather than somewhere more sensible? Will the hon. Gentleman explain why he is prepared to vote today against the very deliberately chosen words of the right hon. Member for Peterborough (Dr. Mawhinney)?

Mr. Dunn: I will certainly pass on the hon. and learned Gentleman's comments to Mr. Stenton. I am sure that Mr. Stenton's decision will be reinforced by what has been said today.

I shall vote for the Government amendment because the Government are doing exactly what I want them to do. I am here to support the Government and to advise, caution and warn them on those occasions when they get things wrong. So far, I have heard nothing from hon. Members on either side to cause me to change my mind. I came to the debate with an open mind; I wanted to listen and to learn from the debate. I am a genuine parliamentarian of the old school.

I welcome the Minister's announcement that talks will continue between the British Medical Association and the Government. That is right and proper. No one in the House wants to see general practitioners take industrial action. There was a perceived loss of professionalism on the part of teachers when they went on strike. I hope that the doctors have learnt from that incident and I am sure that they do not want to go down the same route. There has been a diminution of the perceived professionalism of the Royal College of Nursing since it decided recently to abandon its 80-year-old strike ban. Clearly, the Royal College of Nursing no longer deserves the description "royal"—and it is no longer a college, but a nursing trade union.

Mr. Carlile: Disgraceful.

Mr. Dunn: It may be disgraceful, but it also happens to be true—it is amazing how I can throw my voice and speak twice. The hon. Gentleman must enter the real world. If he spent more time in the House, he would understand the genuine concerns of our constituents. The Royal College of Nursing is no longer royal and it is no longer a college; it is simply a trade union. The BMA, to which hon Members opposite have referred, is probably the same thing.

Dr. Macara may not have posters on his wall of Daniel Cohn-Bendit—I am probably one of the few people present who remembers Danny the Red—or Che Guevara, another hero of the pot-smoking left, but Dr. Macara is no Conservative.

Mr. Carlile: He was.

Mr. Dunn: Well, he is not now.

Mr. Carlile: You have driven him away.

Mr. Dunn: Am I to be protected from such outbursts, Mr. Deputy Speaker? Dr. Macara is not a Conservative; he might have been a Conservative once for the wrong reasons, but he is not a Conservative now—and that is all that matters.

I have received only one letter about the subject of out-of-hours patient care, and that worries me. Some 80 per cent. of my constituents in Dartford are covered by fundholding general practices. It may well be that the people I represent are satisfied with that arrangement and with the provision and dispatch of services to them and to their families. If there were a tremendous groundswell of concern, as reported by the hon. and learned Member for Montgomery, I suspect that I might have heard more about it from my local GPs, who often write to me about their concerns. However, they have no concerns about this issue.

I wonder, therefore, why the Liberal party chose to debate the subject today. I read the Liberal motion with great interest. The motion about out-of-hours patient care in the name of the leader of the Liberal party refers to the need for a method of work that is manageable by family doctors. The proposals by the Minister of State on 20 April confirm that that is also the Government's view. They want a manageable system and they hope that the public who use GPs' services will differentiate between genuine and non-genuine calls. The hon. and learned Member for Montgomery mentioned some examples earlier.

Anyone who has been a parent knows the anxiety and stress that parents face when a small child is ill. Sometimes it a balance of judgment between being concerned and frightened about the health of one's child and ringing the doctor, or waiting until the next day, hoping that it will not matter too much. There will always be a balance between wasting the doctor's time and asking the doctor to come round because one is frightened out of one's wits because one's child is so ill.

The motion

"believes there should be a right for general practitioners to transfer responsibility for out of hours care to another general practitioner".

That was also proposed in the offer on 20 April 1995, so what is the problem? The motion also

"supports the need for substantial, ongoing patient education campaigns on the appropriate use of the out of hours emergency service".

No one in the Chamber has disagreed with that so far. The hon. Member for Newcastle upon Tyne, East (Mr. Brown) said as much a few moments ago, but that was also in the offer.

There is a need to make patients aware of the stress that they can put on doctors and, more importantly, doctors' families. The hon. and learned Member for Montgomery gave an account of his own family, with a father who was a GP in my native Lancashire.

Inevitably, there will be occasions when the implications will not get through to those who waste time. We have heard nothing about what should be done about irritant patients who continue to waste time because there is something wrong with a little finger, the plasters have run out or they cannot get headache tablets. We must also be aware that the stress on GPs is huge and when they become tired because of out-of-hours work, their judgment may be affected. As society is increasingly litigious, it is necessary to protect doctors from what may be called the American syndrome, and that concerns every Member of Parliament.

I firmly believe that everything that the Government have done to date is right. I have no doubt that the Minister will listen to what has been said by hon. Members in all parts of the House before replying to the debate. I am sure that the BMA will also listen carefully to the words of hon. Members. One can wave the wand of disruption only once or twice before it becomes devalued and the BMA must be concerned about its long-term image in the community.

[Mr. Dunn]

We all know that society makes many more demands on public servants, whether they be Members of Parliament, local councillors, therapists, social workers, doctors or anyone in the public eye. There must be a balance and GPs must be protected. That is why I am wholly in favour of the Government amendment.

8.42 pm

Mr. Michael Fabricant (Mid-Staffordshire): It is indeed an honour to follow my hon. Friend the Member for Dartford (Mr. Dunn) who is a parliamentarian of the old school, as he said and I am now happy to endorse. He said that he had received just one letter from a constituent. I, too, have received only one letter regarding this matter and that was from my own general practitioner. He is my personal general practitioner, Dr. Barry Jones, a fundholder at the Minster practice in Lichfield. Not only did we discuss the matter in his surgery, but we also discussed it in the Eastern Eye Indian restaurant in Lichfield, where from time to time I hold my surgeries.

My hon. Friend the Member for Dartford spoke about plasters running out. My general practitioner was telling me that one patient phoned him up saying that his cotton wool had run out and he needed another prescription. He had cotton wool on prescription for a number of years following a prostate operation. When my doctor asked why he still needed cotton wool, the patient said that he required it because of the prostate operation. My doctor asked why he still needed it after four years. It transpired that he was using the cotton wool to stuff soft toys and he was doing it on the national health service. That gives some idea of people's expectations when dealing with the national health service.

I listened to the advocacy from the hon. and learned Member for Montgomery (Mr. Carlile). He was certainly no advocate in respect of general practitioners. When he began his speech, seven Liberal Democrat Members were in the Chamber. He made some puns about fugues and one Member left halfway through. He then proceeded to contradict himself as to whether or not it was an issue of money and I noted that another Liberal Democrat Member had walked out. He then made a joke as to whether the Secretary of State was present. His supporters went down to three and at one point there was only one. I see that now there is only himself and the ever-present Liberal Chief Whip, the hon. Member for Roxburgh and Berwickshire (Mr. Kirkwood), sitting silently and noting the lack of support from his own side.

Mr. Dunn: The minder.

Mr. Fabricant: As my hon. Friend says, he is the minder, the silent and ominous one noting what has been said.

The hon. and learned Member for Montgomery said that out-of-hours care should not be an issue of money. He went on to talk about the redistribution of wealth, but he made absolutely no practical suggestions, except for the one about advertising, to which I will return later. At that point there was absolutely no one else from the Liberal Democrat party in the Chamber.

He said that there should be remote control diagnosis and I wondered what he envisaged. Perhaps the hon. and learned Gentleman will intervene and tell me whether there should be remote control diagnosis by means of the latest technology. Is he suggesting that the Government should provide everybody in the country with remote-control ECG and EEG machines or other paramedic technology that we should all have in our homes so that we could hook up should a diagnosis be required? That is an example of Liberal Democrat muddled thinking.

My hon. Friend the Minister of State rightly pointed out that some £45 million in additional funds will be made available for out-of-hours patient care. He spoke about 24-hour primary care centres and GP co-operatives. Incidentally, it was interesting that the hon. Member for Newcastle upon Tyne, East (Mr. Brown) said that the Labour party supported co-operatives and one-stop shops. In his typically amiable way, he advocated everything that already exists and has been introduced by the Conservative Government, but he chose not to mention what the Labour party would do to fundholders or trusts because there is no clear Labour policy on that.

Mr. Nicholas Brown: The hon. Gentleman is being uncharacteristically unfair. I said that I felt that the Government fundholding structures set neighbouring general practices against one another and that such a competitive way of working was not the best way to solve the out-of-hours problems. I said that our co-operative model was a better way to proceed, so I dealt with the points to which the hon. Gentleman has just referred.

Mr. Fabricant: The hon. Gentleman is reiterating the points that he made in his speech, but he did not say whether he would abolish fundholding overnight if Labour came to power.

Mr. Brown: Yes, it is our intention to phase out individual practice fundholding as currently structured over a period which may be as long as three years, but hopefully will be shorter and certainly in the first period of a Labour Government.

Mr. Fabricant: The hon. Gentleman is being untypically mealy-mouthed. He spoke about phasing out, he then said it would be abolished over three years and then he said that abolition would happen in any event, possibly within the five years of a Labour Government, should one come to power.

Mr. Malone: I would not like my hon. Friend to be under any misapprehension that Labour would do other than offer a fatal threat to GP fundholding. It is not mealy-mouthed—Labour is planning to abolish fundholding and to do away with all the benefits that it brings patients.

Mr. Fabricant: If that is the case—although one would not think so listening to the hon. Member for Newcastle upon Tyne, East, who presents a confused picture about the amount of time that phasing would last—there would be a problem. Every general practitioner in Lichfield is a fundholder, including many who told me that they always vote Labour. Hearing the hon. Gentleman, I wonder whether they would ever vote Labour again.

Mr. Brown: I must correct the hon. Gentleman. I did not say that fundholding would probably go but that it would go. The Minister and I disagree on whether or not that policy is right but there is no disagreement between us, for once, as to Labour party policy. GP fundholding will go.

Mr. Fabricant: That is sad news. I wonder whether the hon. Gentleman has any policy on trusts. He shrugs.

It appears that members of Labour's Front Bench are now conferring and making policy on the hoof. I await a further intervention, to learn what would happen to trusts. There seems to be some confusion. In fact, there seems to be an argument between Labour Front-Bench members.

Ms Estelle Morris (Birmingham, Yardley) *indicated dissent.*

Mr. Fabricant: Nevertheless, we await Labour's suggestions with interest.

The offer is clear—an extra £45 million within the overall health budget to support alternative out-of-hours arrangements. As my hon. Friend the Minister said, that extra funding would not otherwise be available to general practitioners. There would also be additional help for rural doctors within that £45 million.

Mention has been made of studies of GPs' work load, and it is worth reiterating the hours that they work. I take my hon. Friend the Minister slightly to task, in the sense that there is no such thing as an average practitioner. Nevertheless, the average GP works a normal 31.9 hours per week and 6.9 hours per out-of-hours, making a total of 38.8 hours—plus 19.2 hours on call.

There is a requirement for a re-education programme. The hon. Member for Newcastle upon Tyne, East talked about the patients charter, which is an excellent publication. The hon. Gentleman, or perhaps one of his assistants, has spent the last few days counting the number times that "expect" and "right" appear in the charter. That is rather amusing, because one can well imagine that if the charter included no expectations or rights, the hon. Gentleman would be the first to complain. The existence of the patients charter provides patients with a clear guide to what is expected of them and of practices, which cannot be a bad thing.

Difficulties have, however, arisen—primarily because of patients' expectations. It is not just the relationship between patients and doctors that demands re-education. I well recall my first surgery after I entered Parliament. One gentleman talked to me for five or six minutes, leaving me wondering what point he was trying to make. It eventually transpired that he was concerned that his wife was, to use his words, playing around. I wondered whether he expected me to raise that matter in a parliamentary question. Clearly, he had come to see me simply to express his worries and to talk them over with someone. That sort of thing is becoming increasingly common in the relationship that the public have with Members of Parliament and general practitioners. Perhaps the accessibility of politicians and of general practitioners on television creates an image that is not always helpful.

My discussions with my own GP included one this afternoon, after I decided to take part in this debate. He told me about some of the problems that have confronted him out of hours. This evidence may be anecdotal and, as I said, there is no such thing as the average GP.

A few weeks ago, Dr. Barry Jones was telephoned at 3 in the morning by someone who had toothache, wanting to know whether it would be all right to take aspirin or paracetamol. On another occasion, he was telephoned at 1 in the morning by a very drunk lady who asked whether he could provide a morning-after pill because she had committed an indiscretion some hours earlier—whether drunk or sober, we do not know. In another incident, Dr. Jones was telephoned at 3 in the morning by the parents of a child with a runny nose, who were concerned that their child might have meningitis.

Mr. Hugh Bayley (York): The hon. Gentleman has described some of the frivolous reasons for which GPs are telephoned in the middle of the night, but how will the Government's proposal to throw money at the problem reduce the number of such calls? Should not the Government consider instead ways of reducing pressures on general practitioners, possibly by involving people other than GPs in the provision of out-of-hours medical services?

Mr. Fabricant: The hon. Gentleman is not necessarily right in suggesting that people other than GPs should be brought in. That would not solve the problem. I am flabbergasted—and I am rarely flabbergasted in the Chamber—to hear a Labour Member say that the Government are throwing money at the health service. If throw money at the health service we must, then we must—because the Government have a commitment to the NHS. I am grateful to the hon. Gentleman for reminding the House of that commitment. He asked whether something else could be done. Earlier, I mentioned re-education, and I will develop that point shortly.

I will cite a few more examples of calls to my doctor because they are not just frivolous problems; they are educational, too. If anyone is listening to this debate, such examples might even strike a chord and hold them back from telephoning their doctor unnecessarily.

Another patient who telephoned my doctor was suffering from diarrhoea and vomiting—apparently such calls occur frequently—following a two-week holiday. The illness had lasted for a whole week; yet nothing was done about it while on holiday. Instead, the patient rang at 2 am for the doctor's advice. That is not only frivolous but an especially selfish use of the national health service. On another occasion, my GP was telephoned at 4 am and asked whether he could produce a sick note to say that an individual, who had been arrested earlier that evening for breach of the peace, was not fit to attend court. The list of such calls goes on and on.

My general practitioner—who is clearly not average judging from the figures quoted by my hon. Friend the Minister—says that in the past five years his out-of-hours work has quadrupled and he reckons that at weekends the work out of hours has increased some tenfold.

I do not think that there is an easy answer to the problem. If there are answers, they will vary depending on whether they apply to rural, urban or inner-city practices. Of course primary care centres can help and the Government are already supporting them. The situation is particularly difficult in rural areas, but again my hon. Friend the Minister is throwing money—to quote the hon. Member for York (Mr. Bayley)—at the problem. Throwing money at it might be appropriate occasionally.

My doctor reckons that he generally works a 47.5 hour week and, on average, he is on call for nine hours each working week—not including disturbed sleep. As he said rather wryly, since Members of Parliament work long hours but have begun to introduce Jopling reforms, perhaps there needs to be a similar reform of the hours of GPs. Without weakening the services and, indeed, the Hippocratic oath taken by general practitioners, implementing such reforms would not be easy.

[Mr. Fabricant]

There is no question but that the patients charter benefits patients. However, it has also increased patients' expectations and we should address that problem. I mentioned the pastoral role of Members of Parliament when I described someone coming to my surgery to talk about his wife playing around. Too many GPs are also expected to play such a role. One wonders whether the church could play a greater pastoral role rather than its being expected of GPs.

There is a clear role for re-educating patients in what they should expect of GPs—and what should be expected of Members of Parliament. In Staffordshire, we have a very good commercial radio station called Signal Radio. The local family health services authority put out a commercial which, to me, stated the obvious. Clearly, however, it needed to be done. It explained that every time someone does not turn up for an appointment at a hospital, it costs the NHS money and it could mean a longer waiting list for an appointment next time. I would have thought that people would realise that if they could not attend an appointment they should telephone beforehand to allow others to fill the slot. It is a sad indictment that a commercial needs to be put out asking people to think of someone else and to "love thy neighbour as thyself".

The Government have introduced the excellent "Help Us To Help You" campaign, yet it could go a little further and need not involve great expense. Television advertising is expensive and I agree with my hon. Friend the Minister that the money could be better spent. However, I think that a radio campaign, which is on average about a tenth of the price of a television campaign, could be very effective, especially compared with other forms of advertising and promotion.

My hon. Friend the Minister is absolutely right when he says that GPs have a role to play too. I quoted from the patients charter, as did the hon. Member for Newcastle upon Tyne, East. The line on page 10 referring to

"when it is and is not appropriate to call on your GP for out-of-hours treatment"

should be included in the practice's own charter. So far, well over 50 per cent. of GPs and their practices have produced such charters, but the roles of both doctor and patient in out-of-hours treatment need to be more clearly stated in them.

We must provide better patient care. One of the great aspects of medical provision in Lichfield, and in mid-Staffordshire in general, is the ability of fundholders such as Dr. Barry Jones to send their patients to hospitals: the money follows the patient rather than the patient following the money. That is one of the most important changes that we have made over the past few years.

The hon. Member for Newcastle upon Tyne, East laughs, because he thinks that I am merely quoting a slogan. For the first time, however, the Victoria hospital in Lichfield has a dermatology centre, a new paediatric centre, physiotherapy, an ophthalmic centre and a new surgical wing. That is all due to money following the patient: fundholders such as Dr. Barry Jones can direct their patients to the Lichfield hospital and consultants from Wolverhampton, Birmingham and Sutton Coldfield must now come to Lichfield. Previously, patients from Lichfield had to go to those cities.

What would the hon. Member for Newcastle upon Tyne, East do? He said that perhaps in a year—or three years, or five years; he was not sure of the time involved—Labour would phase out fundholders. My only criticism of fundholding is that we have not introduced it universally; although it is universal in Lichfield, and virtually no GP in mid-Staffordshire is not a fundholder, unfortunately not every GP has become a fundholder nationally. It is through fundholding, however, that GPs are empowered to provide funds for patients as and when they are needed.

The NHS is safe in Conservative hands. It would clearly be in a very rocky state if it were in the hands of the Labour party—I would mention the Liberals, but as they are an irrelevance it hardly seems worth while. There should be more fundholders. GPs are a family practice, and they too will be safe in our hands. I have no doubt that, with a Minister of State like ours—caring, sharing, listening and co-operative; GP co-operatives were introduced by a Conservative Government, not by the Liberals and certainly not by the Labour party, which advocates them—the NHS will survive and continue to go from strength to strength.

9.8 pm

Mr. Roger Sims (Chislehurst): Some GPs complain that they work long hours, that they are on call at all hours and that their social life is often in danger of being disrupted. As my hon. Friend the Member for Mid-Staffordshire (Mr. Fabricant) said, they will find no more sympathetic audience than those of us who are present now. Being a doctor is rather like being a Member of Parliament: it is not simply a job, but a way of life, subject to the vicissitudes that I have just described.

Whether some of us are at our best after a late-night sitting is an open question. Some of us occasionally are, but I suspect that some are not. Certainly, if I were unwell, I would not wish to be attended by a GP who had had only two or three hours of interrupted sleep. Accident, illness and disease are no respecters of the clock. Patients expect and need the 24-hour availability of GP services, and the Government should ensure that such services are available. The question is, of course, how that can be done.

The British Medical Association has stated that the issues are not about pay but about restructuring. The structure suggested by the Government, of a lump sum for each GP, payment for calls and substantial development funds for out-of-hours arrangements, seems to be entirely reasonable. My hon. Friend the Minister has deployed the Government's case, while the BMA has deployed its case. The differences are not great, and it should be possible for men and women of good will to sit around a table and agree.

The BMA states that it believes that,

"With willingness on the Government side,"

the differences between them could be settled. That may well be right, but only if there is also willingness on the BMA side. I am bound to say that threats of industrial action such as the BMA is making do not help the atmosphere for such discussions, and the BMA does itself and a respected profession no credit by waving that particular stick.

The BMA has listed various requirements which would need to be met for the differences to be resolved. Having listened to my hon. Friend the Minister earlier in the

debate, I think that very nearly all the requirements are being met, although one or two seem a little unreasonable. The BMA says:

"The Government's recent offer tied up the so-called right to transfer responsibility in so much red tape—by requiring FHSA approval—as to render the proposal impractical. It should be sufficient for GPs to make proper arrangements for the transfer and simply inform the FHSA."

The FHSA is responsible locally for ensuring proper provision of GP services. It would not be good enough for GPs just to make arrangements that they thought were in order and then tell the FHSA. It is entirely proper that the Minister should require the FHSA to approve any arrangements for the responsibility of the right to transfer.

The BMA also pleads that the Government should commit themselves to a public education campaign, a point that was made by the hon. Member for Newcastle upon Tyne, East (Mr. Brown) and reiterated strongly by my hon. Friend the Member for Mid-Staffordshire (Mr. Fabricant). I must say that it is a plea with which I have considerable sympathy.

I am very much in favour of the patients charter, but I can also understand why some doctors have asked "What about a doctors charter?" The hon. and learned Member for Montgomery (Mr. Carlile) referred to specific incidents in which doctors had been called upon unreasonably, and my hon. Friend the Member for Mid-Staffordshire has just quoted similar examples. That is a real dilemma, and every GP could cite similar cases, because I am afraid that some people make unreasonable demands on their doctors.

Such treatment is not confined to doctors. As a member of the Health Select Committee, I was involved in the inquiry and report on the London ambulance service. One feature that emerged from the evidence before us was the fact that people will telephone for an ambulance for the most trivial complaints. That means that an ambulance is often out on the street dealing with such calls when a genuine emergency call comes through.

Doctors are faced with similar calls. It is one thing to take a telephone call in which somebody asks about something rather trivial that can be dealt with by telephone, but it is a good deal worse if a doctor receives a somewhat garbled message, a few comments and a plea for him to go out and answer the call, only to find when he gets there that the problem is something that could easily have waited until the morning—if, indeed, his services were required at all.

Like the hon. and learned Member for Montgomery, I am a member of the General Medical Council, so I see what sometimes happens if doctors do not respond to calls which prove to be genuine. The consequences of a failure to respond can be serious, so one understands the dilemma of doctors who find themselves obliged to respond to almost every call, just in case. There is a real case for some sort of public education campaign to help people to realise in what circumstances it is right and proper to send for a doctor, but also to know what other steps they could take when the case is not so urgent.

As I have said, the differences between the Government and the BMA are capable of resolution around the table—but surely not across the Floor of the Chamber. The Liberal Democrats have not put their valuable parliamentary time to the best use tonight.

9.17 pm

Mr. Robert G. Hughes (Harrow, West): It is a bit much if the Liberal Democrat spokesman who opened the debate, the hon. and learned Member for Montgomery (Mr. Carlile), cannot be bothered to stay for three hours to listen to his own debate—but I guess that the Liberal party never had much staying power.

I could describe the reaction in the Chamber to his speech as "general satisfaction" with what he said. That may surprise some hon. Members, but I say it because he had so much self-satisfaction that that made enough satisfaction to go round for everybody. We were treated to the stuff that he no doubt dishes out by the yard in the courts, and for which he is well paid. Frankly, it did not cut much ice here.

Once again, the hon. and learned Member for Montgomery showed us that there is nothing that the Liberals think too important to play party politics with. His was a trivial approach to the issue, trying to pretend that the complex issues did not exist or that we could wish them away. That was in stark contrast to the serious speeches from the Minister and from the Labour Front-Bench spokesman. Naturally, I agreed much more with the Minister than with the Labour spokesman, but they both made serious speeches about a serious subject that should not be trivialised.

I noticed several other features of the speech by the hon. and learned Member for Montgomery, the first of which was his patent dishonesty about money. The cry went up, "Is it new money?" Lots of new money has gone into the health service, we all know that. But of course it sounds good to ask the question, and that is all the Liberals care about. It sounds good to ask, "Is this new money?" and then to say that it is not, because it is not new since the beginning of the year. "Will it be taken from other services?" It sounds good, makes people attracted to what the Liberals say, but does not add up to anything substantial.

Once again, when the Liberals say that they want more money to be spent on something, they will tell us, "Well, this was in our proposals at the last election. We were the only people honest enough to say that there should be an increase in income tax." They did say that there should be an increase in income tax—of one penny. But they seemed to have forgotten how much one penny in income tax raises. It is less than £2 billion. When one adds up the sort of things that they say would be paid for from that one penny of income tax, one will see that it comes to about £8 billion or £9 billion. It is a patently dishonest approach.

The Liberals have the absolute cheek to say that there should be a large-scale advertising campaign about the responsibility that patients have in using GPs. Of course more responsibility should be shown. I shall come to that in a minute. My hon. Friend the Member for Mid-Staffordshire (Mr. Fabricant) pointed out some of the examples of abuse of the system. It was my experience last summer of having to answer attacks from the Liberals about the advertising campaigns that the Government are carrying out. The Liberals tell us, "It is only the Government trying to use them to their own advantage."

One area that the Liberals attacked was the newspaper campaign for people to carry the form—I believe it is the E1011—that one takes to European Community countries to claim medical services. The Liberal spokesman at the time told us that it was a complete waste of money, because

[Mr. Robert G. Hughes]

of the number of clippings that were sent back from the newspapers. That was a deliberate misrepresentation of what that campaign was about. I have taken my family abroad, and it was seeing the Government's advertising campaign that made me think that I must go and get the form and ensure that I had it with me.

The Liberals have the cheek to suggest that they want more advertising, because they could then attack us in next year's fanciful parade. I shall make one prediction: this year, another Minister will have to answer more attacks from the Liberals on Government advertising. They did last year and the year before. Liberals are creatures of habit. Doubtless they will try it again.

Mr. Fabricant: Ironically, is it not the case that the Liberals enjoy an almost enviable position? They can make commitments to spending. They can attack Government policy one moment and then advocate it the next, simply because they know—not even deep in their heart of hearts, but quite openly—that there is no chance of them ever becoming a party of government, so they can take that irresponsible stance.

Mr. Hughes: Indeed. I shall come to some of the inadequacies of the Liberals in government—as we see in local authorities—in a minute.

Those of us who use the NHS, who are customers of the NHS, know how important this part of the health service is. I ask doctors to reflect on what they are threatening. They are not low-paid workers. They are paid 50 per cent. more than Members of Parliament. I am not complaining in any way about what GPs are paid—of course it is right that they are paid well—but they have to clarify in their own minds whether they are talking about money.

There have even been suggestions that the BMA has taken the stance it has because of the BMA elections that are going on at the moment. I hope that that is not true. We are dealing with people's lives. We are talking about people who use the out-of-hours service because they are frightened. Anyone who has had a child screaming and being sick in the middle of the night—as a parent, one is worried about what will happen, and one cannot take the child to a casualty department, and that is not the right use of a casualty department, anyway—knows how important that service is.

I cannot believe that the very good GPs it has been my experience to come across—our own family GP, GPs in my constituency, and those mentioned by my hon. Friends—those responsible and caring people, would have any truck with industrial action that would inevitably hurt patients. However it was dressed up and however people pretended that it was merely an administrative matter, it would hurt patients, and they have to understand that.

I must comment on a couple of the things that the Liberal Democrat spokesman, the hon. and learned Member for Montgomery said on the subject. He made two statements that I would regard as a threat. First, he suggested that we should charge for out-of-hours service calls that turn out to be hoaxes. I do not understand how that is supposed to work, but, as my hon. Friend the Member for Mid-Staffordshire pointed out, Liberal Democrat suggestions are not supposed to work, but merely to sound good.

How would one collect the money? What is it supposed to mean? He is suggesting that the Liberal Democrats are not in favour of a service that is free at the point of use.

Mr. Alex Carlile: Nonsense.

Mr. Hughes: It is all very well for the hon. and learned Gentleman, who has just wandered back into the Chamber, to say that that is nonsense, but I am reading what he said. He has suggested a charge, and it is no good him sitting there with a puzzled frown on his face. He must face up to what he has said. He suggested that there should be a charge, and perhaps he will now tell us what he meant by that.

Mr. Carlile: Does the hon. Gentleman agree that the fact that 11 million appointments are broken in national health service hospitals is a problem? Does he agree that, to ensure a national health service that is free at the point of delivery to the patients who use it properly, we must consider ways in which we can ensure that patients attend meetings? It may not be feasible to charge patients 50p for a broken appointment, but if that is not feasible, would he like to suggest how he would ensure that patients do not miss 11 million hospital appointments? Has he anything constructive to say?

Mr. Hughes: I am glad that the hon. and learned Gentleman now has the figure right, because he mentioned 5.5 million appointments in *The Independent* of 6 July. At least he has got it right this time.

Mr. Carlile: Now answer the question.

Mr. Hughes: The hon. and learned Gentleman made a point, and suggested that there should be a charge, but in his intervention he recognised that that was nonsense. I expect him to speak nonsense—he has been doing it all evening.

Mr. Carlile: What is your answer?

Mr. Hughes: This is a serious problem, but hectoring from a sedentary position does not provide an answer. I accept that I do not have an answer, but I do not make the sort of stupid suggestions that we hear from the hon. and learned Gentleman.

I will continue with the cutting from which I was quoting. The hon. and learned Member for Montgomery also suggested that he would take away the right of elderly people to have their GP as their first point of call. Again he is looking pained, but that is what he said, and it is more proof that the Liberal Democrats simply do not have a proper policy. They say one thing, but when one questions them, they say, "Oh, no. Goodness me. That's not what I meant. Are you talking about that policy document? We are talking about now."

He said:

"Perhaps also, the elderly could be treated primarily in hospitals and not by GPs."

He would be prepared to deny the elderly the right to use their GP in the first instance. If that is not what he meant, he should apologise to the House.

Mr. Carlile: Will the hon. Gentleman give way?

Mr. Hughes: If the hon. and learned Gentleman is going to apologise, I will. If it is going to be the same

rubbish that we heard earlier, I will not. But I do not think that I will take time from his hon. Friend the Member for Roxburgh and Berwickshire (Mr. Kirkwood).

I have one final point about fundholding GPs and the ability of those GPs in particular to run new services. I want to praise the Elliott Hall medical centre in my constituency, and in particular its patients' association. This is a wonderful GP service, providing a range of new services, which have not been thought of by others—so much so that people want to leave other GPs to join their books.

The hon. Member for Newcastle upon Tyne, East was wrong to say that he wants to take away that ability to experiment, run new services, compete and enable others to do see they are doing. To do so would take away many of the improvements in the health service, and that is not a move that my constituents would welcome.

9.29 pm

Mr. Matthew Banks (Southport): I am grateful to you, Mr. Deputy Speaker, for allowing me to catch your eye briefly in this debate, which has, at times, bordered on the bizarre. However, I think that my hon. Friend the Member for Harrow, West (Mr. Hughes) made an excellent and powerful speech. So did my hon. Friend the Member for Chislehurst (Mr. Sims), who has momentarily had to leave the Chamber. I particularly enjoyed the remarks of that great parliamentarian, my hon. Friend the Member for Dartford (Mr. Dunn), who I know will be returning in a few moments.

The hon. Member for Newcastle upon Tyne, East (Mr. Brown) referred, rather more flexibly than the right hon. Member for Derby, South (Mrs. Beckett), if I may say so, to the possibility of GP fundholding ending under any future Labour Government. I detected something of a discrepancy between what he said and what his right hon. Friend said, when she made it clear not long ago that GP fundholding as it currently stands is unacceptable, to use her word, and that she would put a stop to it in the first year of a Labour Government. *[Interruption.]* I notice that the hon. Gentleman seems to be saying something else. In my characteristic fashion, I give way to him.

Mr. Nicholas Brown: The Minister and I uncharacteristically agreed that I was not saying something else. For once there is no disagreement between my right hon. Friend the Member for Derby, South (Mrs. Beckett) and the Minister of State.

Mr. Banks: I hear what the hon. Gentleman says. No doubt we will be able to compare what the hon. Gentleman said with what his right hon. Friend said on 29 June on the BBC's "Newsnight" programme, because there is a discrepancy. No doubt we will return to it on a future occasion.

Of course, this is a Liberal Democrat debate and I should point out to some of my hon. Friends that they are Liberal Democrats, not Liberals. There is a Liberal party in this country, which did not throw in its lot with the Social Democratic party. Its national headquarters is in Southport, and long may it remain so. They are a splendid lot. They did not renege on everything they believe and on their principles to join the SDP in a sort of mark 2 Labour party. At least with the Labour party, we know where we are—

Mr. Brown: A minute before, the hon. Gentleman said the opposite.

Mr. Banks: The hon. Gentleman suggests that we do not know where we are with the Labour party. I was drawing a fast veil over the hon. Gentleman's discrepancy with the right hon. Member for Derby, South.

Due to the shortage of time, I would like to make only a couple of quick points in relation to this Liberal Democrat-inspired—if that is the right word—debate. I am aware that Liberal Democrats say one thing at one end of a constituency and another thing at the other end. On the one hand, they propose retention of a modified GP fundholding scheme—having, of course, changed their minds twice—and on the other hand they support a system in which GPs could choose to manage funds themselves, or as part of a locally-based consortium, or could ask the local authority to manage funds on their behalf. That would create the sort of politicised system within a local authority which the British Medical Association totally opposes.

I do not know whether the hon. and learned Member for Montgomery (Mr. Carlile) appreciates that but we should bear in mind that he did not seem to know that some of the words of his party's motion were the words of my right hon. Friend the Minister without Portfolio. It is clear that the hon. Member for Roxburgh and Berwickshire (Mr. Kirkwood) had to tell him that. The hon. and learned Member for Montgomery has had little support from his side in this debate.

Mr. Paul Tyler (North Cornwall): The hon. Gentleman has not had any.

Mr. Banks: The hon. Member for Cornwall, North (Mr. Tyler) helpfully makes a sedentary intervention. Nowhere among the Opposition is there a better example of someone who says one thing at one end of his constituency and another thing at the other—one thing to one person and another thing to another. He has been absent for most of the debate, but the least said about that the better.

This has been a poor debate. My colleagues have drawn attention time and time again—and had longer than I in which to do so—to the shortcomings of the policies advocated by the hon. and learned Member for Montgomery. The debate has been a waste of good parliamentary time. It is a great pity that the hon. and learned Gentleman was not supported by a few more of his colleagues, but I have no hesitation in supporting the Government amendment.

9.35 pm

Mr. Archy Kirkwood (Roxburgh and Berwickshire): I am grateful for the opportunity to reply to the debate, which I want to bring back to reality. In the time available, I want to make a number of points to which it is important that the Minister has the opportunity to reply.

I want to refocus the House's attention on the words of the motion that occasioned this debate. The motion states that the House "shares general practitioners' concerns" and refers to the need to

[Mr. Archy Kirkwood]

"facilitate improved methods of work so that general practitioners can provide a more flexible, clinically appropriate and more modern way of providing emergency care".

Those words were carefully chosen, and we knew exactly where they came from—they are the words of the right hon. Member for Peterborough (Dr. Mawhinney), but I suggest that they are none the worse for that.

The motion goes on to talk about

"a right for general practitioners to transfer responsibility for out of hours care".

I carefully took note of the fact that the Minister gave some support to that notion. The motion then talks about the need for "ongoing patient education campaigns" and ends with an exhortation to the Government to

"take all reasonable steps to avoid industrial action by general practitioners."

It is a very measured motion. If Conservatives vote against it, they will be voting against not only the sentiments expressed some years ago by the right hon. Member for Peterborough when he was responsible for health matters in a previous incarnation, but almost everything else that every Tory Member who has contributed to this evening's debate said about the need for education and for changes such as the transfer of responsibility for out-of-hours care. Far from being wild or irresponsible, the motion is very measured.

We are in a serious position. It is very unusual for the Government of the day, after two years of negotiation, to be confronted with potential industrial action by doctors. In fact, it is quite unprecedented—a point ably made by my hon. and learned Friend the Member for Montgomery (Mr. Carlile). Something is seriously wrong.

It is no use Conservative Members saying that the British Medical Association is out of control or that it comprises a bunch of radical or irresponsible people; it is the BMA's members who are driving forward its policy on this issue. They are frustrated and dismayed, and wholly out of sympathy with the way in which the Government have handled the matter. That is certainly the message they have put to me loud and clear.

I shall refer to some of the contributions to today's debate and then—I hereby give notice to the Minister—deal specifically with rural problems. It will come as no surprise to the House to learn that my colleagues and I were very mindful of the particular problems confronting rural areas when we chose this important subject for debate.

Will the Minister answer the question asked by my hon. and learned Friend about the £45 million? Can it be better targeted? Where has it come from, and what services in the NHS will suffer as a result of its being redeployed? Will the Minister also deal specifically with the matter that arises in relation to one of the six constructive points made by my hon. and learned Friend about the transfer of responsibility and education? Those issues in particular are important ones, where there is a real prospect of progress.

The Government claim to have listened, and that was the main thrust of the Minister's argument, but he offered no succour to practitioners in rural areas. He talked about the £45 million provision. I understand that capital investment is needed for certain new services and facilities when developing co-operative or depute doctor services.

The Minister went on to argue, however, that some of the £45 million could be deployed in the payment of locum services. If one spread the £45 million throughout the GP population, it would be equivalent to £1,500 a head. It costs £175 a head for one night's locum cover in my constituency, so that £1,500 would provide 10 nights' locum cover in a year. If the Minister has founded his argument on that possibility, he has forgotten that there have been many losers under the new flat rate scheme, which provides £2,000 plus a £20 payment.

GPs in my area are currently paid £48.45 per night visit, but of course they have other out-of-hours responsibilities as well. People generally do not understand that there is a difference between night visits and the other burdensome responsibilities that GPs must face during the rest of the early evening and at weekends from, Saturday morning through to Monday.

Throughout the debate, I have had the sense that the Government do not understand the strength of feeling among individual doctors and their organisations about the problems from which they are suffering. The BMA has suggested to me that the average GP's working week is 62 hours, despite talk in the debate about a week of 47.5 hours. The BMA has also calculated that 23 per cent. of GPs spend 80 hours or more a week on call and providing services to patients, while just 8 per cent. work less than 40 hours a week—many of whom are part-time doctors.

Doctors face many problems, not just because of out-of-hours work but as a result of the 1990 contract. They have seen their independent contractor status eroded. They have had to bear the extra duties placed upon them because of screening and health care checks, as well the additional bureaucracy that the Government have loaded on their backs, which they greatly resent. Evidence suggests that those changes have led to much disillusion, to which my hon. and learned Friend the Member for Montgomery adverted.

On education, I noted that the Minister said that he did not think that there was much between us. That may be true. Leaving aside the rather trite remarks of the hon. Member for Harrow, West (Mr. Hughes) about our previous attacks on the Government, I want to make it clear that we would support a nationally sponsored organised education campaign. It would not need to cost an absolute fortune, but it could provide a framework within which local practitioners could conduct their own campaigns.

That campaign could get across to folk that it is in no one's interest to have a tired GP, who has had no sleep the night before, attending to people's needs and diagnosing their illnesses. The hon. Member for Chislehurst (Mr. Sims) made a good speech about that. I am sure that the House could agree on that. Were we to get some assistance at the right level from the Government towards such an education campaign, it would send an important signal to doctors and suggest to them that the Government were taking their concerns seriously.

Mr. Fabricant: Will the hon. Gentleman give way?

Mr. Kirkwood: I am sorry, but I do not have time.

It is important to underscore the pressure that doctors feel they are under. An article in *The Independent* last month reported that an independent survey carried out by

Alcohol Concern between 1979 and 1990 ranked doctors with sailors and publicans as the people most likely to develop alcohol-related liver disease. That is a measure of the desperation to which doctors are being driven.

Secondly, there is evidence, which was adverted to by my hon. and learned Friend the Member for Montgomery, that early retirement is increasing. In 1987, early retirement accounted for 16.6 per cent. of the total retired doctor population; it now accounts for 22.8 per cent. Forty per cent. of women doctors and 10 per cent. of newly qualified male doctors leave the service within five years of qualifying. Those are all signs of the increasing bureaucracy, the increasing expectation of patients and the increasing work load. The Government ignore that at their peril.

When I checked with a practice in Hawick, in my constituency, I was told that a vacancy in the Hawick practice had recently been advertised, and that, five years ago when a vacancy in the same practice was advertised, there were 75 applicants; this year, there were 11. That is a measure of the difficulty of encouraging people to work in rural areas against the background of the out-of-hours commitment.

Ministers simply have not recognised that times have changed, and that it is now impossible to provide the proper level of service that GPs need to provide to meet the requirements of the moment.

I am surprised that there was not a greater input by Labour Members. The hon. Member for Newcastle upon Tyne, East (Mr. Brown) made a sensible speech—sensible because of the emphasis he placed on the need for education. It was interesting that he supported that idea, although I notice that his new document did not come up with any great solution.

Mr. Brown: Will the hon. Gentleman give way?

Mr. Kirkwood: I honestly do not have time.

Mr. Brown *rose—*

Mr. Kirkwood: I do not have time. *[Interruption.]* I was trying to be nice to the hon. Gentleman.

All the Conservative Members who spoke were from relatively built-up areas. We heard from the hon. Members for Winchester (Mr. Malone), for Newcastle upon Tyne, East, for Dartford (Mr. Dunn) and for Mid-Staffordshire (Mr. Fabricant). The latter is a bit of a rural area, but the vast majority of the speeches came from people who had no appreciation of the problems that confront practitioners in rural areas.

We must acknowledge that the demands have increased by five times in the past 25 years, and doubled in the past three years, as has been said. In 1993-94, a GP was paid on average 2.8p per patient per week to provide that service. The service is an emergency service, and the Government have not succeeded in communicating that message to the general public. Increasingly, patients expect to be able to call on GPs to provide non-urgent care at any time of the evening, night or weekend. That forces local GPs to work night and day in a way that might impair their professional judgment. That position is not healthy, as I have said, or in anyone's interests.

Rural practitioners are at a much greater disadvantage than their colleagues who live in communities with deputising services or co-operative practices. There are no options available to them, nor will there be after the Government's package is introduced. They are determined, in rural areas, to try to provide a high-quality service over a wide and sparsely populated area, and I urge the Government to try to ensure that special consideration is given to those problems in rural areas in their current negotiations with the BMA.

The Government must be more flexible. Much is at stake in those negotiations. Something must be sorted out in the next nine days. I hope that the new ministerial team at the Department of Health will take advantage of that new opportunity to have a completely fresh look at the position, so that we can have more flexible, clinically appropriate, modern ways of delivering care outside normal hours that, as the motion says, are

"right for patients, fair on the taxpayer and manageable"

for GPs.

9.48 pm

Mr. Malone: With the leave of the House, Mr. Deputy Speaker.

I am sad to tell the House that I believe that the hon. Member for Roxburgh and Berwickshire (Mr. Kirkwood) has about as much knowledge of the subject as he revealed he had about my constituency, when he described a large tract of rural Hampshire as a built-up area. My constituents will be astonished, as will those of several of my hon. Friends.

I do not know where the hon. Gentleman was when I followed his hon. and learned Friend the Member for Montgomery (Mr. Carlile) at the beginning of the debate. I specifically went through each of the six points, and I do not intend to use the short time available to me to do so again.

Yes, of course we are prepared to look flexibly on arrangements which we have said we shall be happy to put in place, especially for rural practices. It is obtuse of the hon. Gentleman to say that one simply divides the sum of money and spends it entirely on locums. I was making the point that we can make it available as a support system in rural areas—I would not expect to see it used exclusively.

I shall now address a number of important points raised in the debate. The hon. Member for Newcastle upon Tyne, East (Mr. Brown) asked an important question about research. Research is important, and there has probably not been enough into the subject. I am pleased to be able to tell the House that the National Primary Care Research Centre in Manchester—which is sponsored by the Government to the tune of £15 million over 10 years and which I had the great pleasure of opening a few weeks ago—will be studying the issue, and will be holding a conference in the autumn on the subject of 24-hour primary care.

The subject will include considering innovative ways of providing out-of-hours care through GPs and others. It will inform us and help to formulate the future research programme.

The hon. Members for Roxburgh and Berwickshire and for Newcastle upon Tyne, East mentioned the problems of recruitment for general practitioners. I do not think that it is a sign of a shortage if, in Hawick, there are 11 applications for one practice place. The hon. Gentleman has a way of turning the arguments to suit his party. If there were 75 applications, he would say that there were

[Mr. Malone]

not enough places, and that there was an unemployment problem among doctors. As usual with the Liberals, they want it both ways.

Although recruitment is often raised as a current difficulty, there is no firm evidence that it is a substantial problem. The average number of applications for advertised vacancies in GP partnerships ranges from three to 34 and, in most cases, the figure is, oddly enough, 11—the same figure as that in Hawick. Perhaps the hon. Member for Roxburgh and Berwickshire can take some consolation from the fact that, on this occasion, Hawick appears, unusually, to have the same figure as the national average.

It is also true that the number of GP principals has been increasing steadily under this Government. The number is currently increasing at the rate of 1 per cent. per annum. The last survey of GP training places showed that, overall, vocational training schemes were still being filled with good-quality candidates, notwithstanding a fall in the overall number of applicants.

We keep a careful eye on that issue. It is important for the long-term benefit of primary care that excellent people continue to come forward for recruitment, are retained in general practice and take up posts in general practice when they are advertised. There is no suggestion that the Government are complacent about that.

There are still sufficient numbers of people coming forward to apply for single-handed practices, which are often highlighted as a particular area of difficulty. The last figures I can give the House show that, for the year ending 30 September 1994, the figure was 19.

A number of points were raised by my hon. Friends, who sustained the debate. It is astonishing that, in a debate in the Liberal party's time on what they clearly consider to be an important subject, that party chose to put up two speakers. *[Interruption.]* The Greek chorus that has now arrived certainly was not present for the debate. The hon. Member for Orkney and Shetland (Mr. Wallace) is usually good at getting his points across from a sedentary position, even when he is not recognised by the Chair. I should have thought that he could have made a bit more effort to do so during the debate.

Mr. James Wallace (Orkney and Shetland): Will the Minister give way?

Mr. Malone: Now that the hon. Gentleman has arrived, I shall give way so that he can make an original point

Mr. Wallace: The Minister is descending to unusual depths. He usually knows better than to try to make cheap points. If he had ever attended debates initiated by the Liberal Democrats—it is probably stretching things too far to suppose that he has—he would have known that it was rare for more than two of us to have the chance to speak. That is something that is wrong with this place and the way it operates.

Mr. Malone: I dare not criticise the Chair, as you well know, Mr. Deputy Speaker. I am delighted that at least the hon. Gentleman has agreed to turn up for the final moments of the debate.

My hon. Friend the Member for Mid-Staffordshire (Mr. Fabricant) made a speech peppered with personal anecdotes and tales of his constituents who had consulted GPs. I advise the House that those tales would have made hon. Members' hair stand on end. There are clearly a number of problems in my hon. Friend's constituency.

However, both he and my hon. Friend the Member for Dartford (Mr. Dunn) pointed to the fact that they had had few letters about the issue in their constituency mailbags. Perhaps that is because there are thriving co-operatives in their constituencies, with excellent innovative arrangements in place. That may go some way towards explaining why my hon. Friends have heard little about the subject.

A theme of the debate was general practitioners' concern about the burdens they bear. I hope there can be a meeting of minds on the issue when the medical profession meets my right hon. Friend. I received a letter today from the local Hampshire medical committee—I must inform the hon. Member for Roxburgh and Berwickshire that it is a rural committee—which expresses dissatisfaction and makes the point:

"GPs want changes in their out-of-hours arrangements to provide emergency night care more effectively and efficiently, while ensuring that all patients continue to get the best quality care".

I quibble with none of those words. We are talking about a method of delivering that care and making sure that firm arrangements are in place to secure the interests of patients. We share common objectives, and I hope that I can agree with the hon. Member for Roxburgh and Berwickshire—

Mr. Bayley: Will the Minister give way?

Mr. Malone: No, I will not give way. I hope to agree with the hon. Gentleman that those matters can be resolved.

There have been a number of rather spectacular suggestions about how to deal with the problems that GPs face today. I think that my hon. Friend the Member for Harrow, West (Mr. Hughes) mentioned the great plan of the hon. and learned Member for Montgomery (Mr. Carlile) for dealing with problems of patient abuse in the national health service. I had read it earlier, and it is an interesting plan.

The hon. and learned Gentleman plans to charge patients 50p each time they break an appointment. I would be interested to see the collection framework that would be put in place. I have no doubt that the threat of 50p each time would strike terror in people's hearts. I have no doubt that the collection system would not be bureaucratic. I wonder whether the hon. and learned Gentleman considered allowing the right of appeal, and whether one would receive legal aid for appealing against a 50p fine. I thought that Liberal Democrat policies were invented on the Benches opposite and not in Montgomery's local libraries, which would probably have to collect those small amounts.

There are many ways of effectively ensuring that there is no abuse of the health service. When it comes to cancelled appointments, the hon. and learned Gentleman should visit hospitals which have robust pre-admission arrangements in place, and where cancellations have been reduced to zero. I did not see many 50p pieces in those hospitals when I visited them.

It has been a typical debate from the Liberal Democrats; they change their tune all the time, don't they? On this issue, it is important to remind the House what Liberal Members have said in the past. On fundholding, in 1992 they said:

"There is no case for GP fundholding".

In 1994 it was a case of, "Hang on a minute, it might be popular." They agreed that GP fundholding

"does seem to have brought benefits".

On 3 July 1995, the hon. and learned Member for Montgomery gave us the simple answer when he said:

"We would encourage the development of joint commissioning groups. One has to be realistic, and it is not realistic to abolish all fundholding at a stroke. I do not believe that the Labour party would regard that as realistic either.

The development of joint commissioning groups . . . would ensure that fundholding would wither on the vine. Indeed, fundholding has always been a kamikaze policy . . . The Liberal Democrat view on fundholding is absolutely clear."—[*Official Report*, 3 July 1995; Vol. 263, c. 48.]

That view has changed on a number of occasions.

I do not think that what was said from the Liberal Democrat Benches today has enlightened us about how to solve the problem of out-of-hours practice. It is important that we do, and it is in the interests of the patients. While guaranteeing the quality of their care, we must also lessen the burdens on the medical profession. That is the purpose of our policy, and I believe that, with good will, it will succeed.

Question put, That the original words stand part of the Question:

The House divided: Ayes 35, Noes 229

Division No. 202] **[10.00 pm**

AYES

Ashdown, Rt Hon Paddy
Banks, Tony *(Newham NW)*
Barnes, Harry
Beith, Rt Hon A J
Campbell, Mrs Anne *(C'bridge)*
Campbell, Menzies *(Fife NE)*
Campbell-Savours, D N
Carlile, Alexander *(Montgomery)*
Chidgey, David
Clapham, Michael
Clwyd, Mrs Ann
Corbyn, Jeremy
Cunningham, Roseanna
Dafis, Cynog
Ewing, Mrs Margaret
Flynn, Paul
Graham, Thomas
Harvey, Nick
Hughes, Simon *(Southwark)*
Jones, Nigel *(Cheltenham)*
Kennedy, Charles *(Ross,C&S)*
Lewis, Terry
Loyden, Eddie
Lynne, Ms Liz
Mackinlay, Andrew
Maclennan, Robert
Maddock, Diana
Mahon, Alice
Michie, Bill *(Sheffield Heeley)*
Michie, Mrs Ray *(Argyll & Bute)*
Rendel, David
Simpson, Alan
Skinner, Dennis
Steel, Rt Hon Sir David
Tyler, Paul
Wallace, James
Wigley, Dafydd

Tellers for the Ayes:
Mr. Archy Kirkwood and
Mr. Don Foster.

NOES

Ainsworth, Peter *(East Surrey)*
Alexander, Richard
Alison, Rt Hon Michael *(Selby)*
Amess, David
Arbuthnot, James
Arnold, Jacques *(Gravesham)*
Arnold, Sir Thomas *(Hazel Grv)*
Atkins, Robert
Atkinson, Peter *(Hexham)*
Baker, Nicholas *(North Dorset)*
Banks, Matthew *(Southport)*
Banks, Robert *(Harrogate)*
Bates, Michael
Bellingham, Henry
Beresford, Sir Paul
Booth, Hartley
Boswell, Tim
Bowis, John
Boyson, Rt Hon Sir Rhodes
Brandreth, Gyles
Brazier, Julian
Brooke, Rt Hon Peter
Browning, Mrs Angela
Bruce, Ian *(Dorset)*
Burt, Alistair
Butcher, John
Butler, Peter
Carlisle, Sir Kenneth *(Lincoln)*
Carrington, Matthew
Cash, William
Chapman, Sydney
Clappison, James
Clifton-Brown, Geoffrey
Coe, Sebastian
Colvin, Michael
Congdon, David
Coombs, Simon *(Swindon)*
Cope, Rt Hon Sir John
Couchman, James
Cran, James
Currie, Mrs Edwina *(S D'by'ire)*
Day, Stephen
Dorrell, Rt Hon Stephen
Douglas-Hamilton, Lord James
Dover, Den
Duncan, Alan
Dunn, Bob
Durant, Sir Anthony
Dykes, Hugh
Elletson, Harold
Emery, Rt Hon Sir Peter
Evans, Jonathan *(Brecon)*
Evans, Nigel *(Ribble Valley)*
Evennett, David
Faber, David
Fabricant, Michael
Fenner, Dame Peggy
Field, Barry *(Isle of Wight)*
Fishburn, Dudley
Forman, Nigel
Forsyth, Rt Hon Michael *(Stirling)*
Forth, Eric
Fowler, Rt Hon Sir Norman
Fox, Dr Liam *(Woodspring)*
Fox, Sir Marcus *(Shipley)*
Freeman, Rt Hon Roger
French, Douglas
Gallie, Phil
Gardiner, Sir George
Garnier, Edward
Gill, Christopher
Gillan, Cheryl
Goodlad, Rt Hon Alastair
Goodson-Wickes, Dr Charles
Gorman, Mrs Teresa
Gorst, Sir John
Grant, Sir A *(SW Cambs)*
Greenway, Harry *(Ealing N)*
Greenway, John *(Ryedale)*
Griffiths, Peter *(Portsmouth, N)*
Grylls, Sir Michael
Gummer, Rt Hon John Selwyn
Hague, William
Hampson, Dr Keith
Hanley, Rt Hon Jeremy
Hargreaves, Andrew
Harris, David
Haselhurst, Alan
Hawkins, Nick
Hawksley, Warren
Hayes, Jerry
Heald, Oliver
Heathcoat-Amory, David
Hendry, Charles
Heseltine, Rt Hon Michael
Hicks, Robert
Hill, James *(Southampton Test)*
Hogg, Rt Hon Douglas *(G'tham)*
Horam, John
Howell, Sir Ralph *(N Norfolk)*
Hughes, Robert G *(Harrow W)*
Hunt, Rt Hon David *(Wirral W)*
Hunt, Sir John *(Ravensbourne)*
Hunter, Andrew
Jack, Michael
Jackson, Robert *(Wantage)*
Jessel, Toby
Jones, Gwilym *(Cardiff N)*
Jones, Robert B *(W Hertfdshr)*
Key, Robert
Kirkhope, Timothy
Knapman, Roger
Knight, Mrs Angela *(Erewash)*
Knight, Greg *(Derby N)*
Knight, Dame Jill *(Bir'm E'st'n)*
Knox, Sir David
Kynoch, George *(Kincardine)*
Lait, Mrs Jacqui
Lawrence, Sir Ivan
Legg, Barry
Leigh, Edward
Lidington, David
Lightbown, David
Lloyd, Rt Hon Sir Peter *(Fareham)*
Luff, Peter
Lyell, Rt Hon Sir Nicholas
MacGregor, Rt Hon John
MacKay, Andrew
Maclean, Rt Hon David
McLoughlin, Patrick
McNair-Wilson, Sir Patrick
Madel, Sir David
Maitland, Lady Olga
Malone, Gerald
Mans, Keith
Marland, Paul
Marshall, John *(Hendon S)*
Marshall, Sir Michael *(Arundel)*
Martin, David *(Portsmouth S)*
Mawhinney, Rt Hon Dr Brian
Merchant, Piers
Mills, Iain
Mitchell, Andrew *(Gedling)*
Mitchell, Sir David *(NW Hants)*
Moate, Sir Roger
Monro, Sir Hector
Montgomery, Sir Fergus
Needham, Rt Hon Richard
Nelson, Anthony
Neubert, Sir Michael
Nicholls, Patrick
Nicholson, David *(Taunton)*
Norris, Steve
Oppenheim, Phillip
Ottaway, Richard
Page, Richard
Paice, James
Patnick, Sir Irvine
Patten, Rt Hon John
Pattie, Rt Hon Sir Geoffrey
Peacock, Mrs Elizabeth
Pickles, Eric
Porter, David *(Waveney)*
Portillo, Rt Hon Michael
Powell, William *(Corby)*
Rathbone, Tim
Redwood, Rt Hon John
Renton, Rt Hon Tim
Richards, Rod
Roberts, Rt Hon Sir Wyn
Robertson, Raymond *(Ab'd'n S)*
Rowe, Andrew *(Mid Kent)*
Rumbold, Rt Hon Dame Angela
Sackville, Tom
Sainsbury, Rt Hon Sir Timothy
Scott, Rt Hon Sir Nicholas
Shaw, David *(Dover)*
Shaw, Sir Giles *(Pudsey)*
Shepherd, Colin *(Hereford)*
Sims, Roger
Smith, Sir Dudley *(Warwick)*
Smith, Tim *(Beaconsfield)*
Soames, Nicholas
Speed, Sir Keith
Spencer, Sir Derek
Spicer, Michael *(S Worcs)*
Spink, Dr Robert
Sproat, Iain
Squire, Robin *(Hornchurch)*
Stanley, Rt Hon Sir John

Steen, Anthony
Stephen, Michael
Stern, Michael
Stewart, Allan
Streeter, Gary
Sweeney, Walter
Taylor, Ian *(Esher)*
Taylor, John M *(Solihull)*
Taylor, Sir Teddy *(Southend, E)*
Temple-Morris, Peter
Thomason, Roy
Thompson, Sir Donald *(C'er V)*
Thompson, Patrick *(Norwich N)*
Thornton, Sir Malcolm
Thurnham, Peter
Townsend, Cyril D *(Bexl'yh'th)*
Trend, Michael
Trotter, Neville
Twinn, Dr Ian
Viggers, Peter
Walden, George
Walker, Bill *(N Tayside)*
Waller, Gary
Ward, John
Wardle, Charles *(Bexhill)*
Waterson, Nigel
Wells, Bowen
Wheeler, Rt Hon Sir John
Whitney, Ray
Whittingdale, John
Widdecombe, Ann
Wiggin, Sir Jerry
Wilkinson, John
Willetts, David
Wilshire, David
Winterton, Mrs Ann *(Congleton)*
Winterton, Nicholas *(Macc'fld)*
Wood, Timothy
Young, Rt Hon Sir George

Tellers for the Noes:
Mr. Simon Burns and
Mr. Derek Conway.

Question accordingly negatived.

Question, That the proposed words be there added, *put forthwith pursuant to Standing Order No. 30 (Questions on amendments) and agreed to.*

MADAM SPEAKER forthwith declared the main Question, as amended, to be agreed to.

Resolved,

That this House notes that the Government has continued to meet the recommendations of the independent pay review body for general practitioners' pay, which is for a 24 hour commitment to their patients; welcomes the Government's constructive approach to addressing the profession's concerns, which includes an extra £45 million to support general practitioners' out of hours services, makes it possible for general practitioners to transfer responsibility for providing out of hours cover to another doctor and restructures payments so that the average general practitioner will receive an extra £800 per year for night visits; supports the approach of the Patient's Charter, which stresses to patients that with rights come responsibilities; and believes there is absolutely no case for general practitioners to take industrial action which would inevitably harm patient care.

STATUTORY INSTRUMENTS, &c.

Motion made, and Question put forthwith pursuant to Standing Order No. 101(5) (Standing Committees on Statutory Instruments, &c.),

LOCAL GOVERNMENT (FINANCE) SCOTLAND

That the Local Government Finance (Scotland) Special Grant Report No. 1 (House of Commons Paper No. 517), which was laid before this House on 14th June, be approved.

INCOME TAX

That an humble Address be presented to Her Majesty, praying that the Double Taxation Relief (Taxes on Income) (Belarus) Order 1995 be made in the form of the draft laid before this House on 24th May.

That an humble Address be presented to Her Majesty, praying that the Double Taxation Relief (Taxes on Income) (Bolivia) Order 1995 be made in the form of the draft laid before this House on 24th May.

TERMS AND CONDITIONS OF EMPLOYMENT

That the draft Employment Protection (Increase of Limits) Order 1995, which was laid before this House on 28th June, be approved.—*[Mr. Wood.]*

Question agreed to.

EUROPEAN COMMUNITY DOCUMENT

Motion made, and Question put forthwith pursuant to Standing Order No. 102(9) (European Standing Committees).

ECONOMIC GROWTH AND THE ENVIRONMENT

That this House takes note of European Community Document No. 10911/94, relating to economic growth and the environment; and supports the Government's view that environmental considerations should continue to be taken into account in determining economic policy, as well as other policy areas, as part of its overall commitment to furthering sustainable development.—*[Mr. Wood.]*

Question agreed to.

PUBLIC HEALTH

Ordered,

That the Food Protection (Emergency Prohibitions) (Paralytic Shellfish Poisoning) (No. 4) Order 1995 (S.I., 1995, No. 1611), dated 26th June 1995, a copy of which was laid before this House on 27th June, be approved.—*[Mr. Raymond S. Robertson.]*

MERCHANT SHIPPING

Ordered,

That the Merchant Shipping Act 1970 (Commencement No. 12) Order 1995 (S.I., 1995, No. 1426) be referred to a Standing Committee on Statutory Instruments, &c.—*[Mr. Wood.]*

BUSINESS OF THE HOUSE

Ordered,

That the Speaker shall put the Questions on the Motions in the names of:

(1) Mr. Tony Blair relating to the Social Security (Income Support and Claims and Payments) and Housing Benefit (General) Amendment Regulations 1995 not later than one and a half hours after the first such Motion has been made;

(2) Mr. Douglas Hogg relating to the Fishing Vessels (Safety Improvements) (Grants) and (Decommissioning) Schemes 1995 not later than one and a half hours after the first such Motion has been made; and

(3) Secretary Sir Patrick Mayhew relating to the draft Appropriation (No. 2) Northern Ireland Order 1995 not later than three hours after it has been made;

and the above Motions may be entered upon and proceeded with, though opposed, after Ten o'clock.—*[Mr. Wood.]*

MEMBERS' INTERESTS

Ordered,

That Mr. James Clappison be discharged from the Select Committee on Members' Interests and Mr. Quentin Davies be added to the Committee.—*[Mr. Wood.]*

BROADCASTING

Ordered,

That Mr. Greg Knight be discharged from the Select Committee on Broadcasting and Mr. Timothy Wood be added to the Committee.—*[Mr. Wood.]*

Orders of the Day

Church of England (General Synod) (Measures)

10.13 pm

The Second Church Estates Commissioner, representing the Church Commissioners (Mr. Michael Alison): I beg to move,

That the Church of England (Miscellaneous Provisions) Measure, passed by the General Synod of the Church of England, be presented to Her Majesty for Her Royal Assent in the form in which the said Measure was laid before Parliament.

As the short title of the Measure indicates, it contains a miscellaneous collection of provisions relating to the Church of England. Their effect is described in the comments and explanations of the General Synod's legislative committee, which are annexed to the report of our own Ecclesiastical Committee. Hon. Members will have ready access to that report, if they do not have it before them now.

Two provisions in the Measure were the subject of special scrutiny in the Ecclesiastical Committee. Clause 2 permits Christ Church college, Oxford—which contains the cathedral of the Oxford diocese—through its constitution and statutes, to depart from earlier practice by acquiring the power to appoint up to two lay canons. The regius professorship of ecclesiastical history in the university of Oxford is annexed to a canonry in the cathedral, and the holder of that professorship must currently be a clerk in holy orders of the Church of England.

After discussion, the university and cathedral were both of the opinion that the present rules unduly restricted the range of candidates eligible for appointment as regius professor, requested the inclusion of clause 2 in the Measure. The Crown appoints the regius professor, but, obviously, only after taking soundings at Oxford. It has been consulted about the clause, and is content with it. The amendment had to be embodied in a clause in the Measure, because the changes have a bearing on the function to be performed by the regius professor and the residentiary canon of the cathedral.

Clause 6 amends the Church Commissioners Measure 1947, concerning the composition of the commission's assets committee. When the Measure was considered by the Ecclesiastical Committee, it became clear that the provision was regarded as premature by a majority of the Committee, in view of the recent report of the Select Committee on Social Security—under the chairmanship of the hon. Member for Birkenhead (Mr. Field), who is also Opposition spokesman on Church of England and Church Commission affairs—on Church Commission and Church of England pensions, and the impending report of the Archbishops' commission on the organisation of the Church of England, the so-called Turnbull commission.

In view of the misgivings expressed in the Committee, the Archbishops of Canterbury and York have said that they do not intend to exercise their power under clause 16 of the Measure to bring clause 6 into effect—clause 15 being an "appointed day" clause—pending consideration of the Social Security Select Committee's report, which has been studied closely, and the Turnbull report when it is available.

Against that background, the Ecclesiastical Committee has reported that the Measure is expedient, with—I am glad to say—the support, tacit or otherwise, of my hon. Friend the Member for Corby (Mr. Powell). When the draft Measure was finally approved by the General Synod itself in November 1994, it was approved by 229 votes to one.

10.18 pm

Mr. Frank Field (Birkenhead): This is a miscellaneous Measure, which contains issues of considerable importance. I hope that what we say tonight will prove to be relevant to the members of the Turnbull commission who, while they are at a late stage of their considerations, have not yet reported.

Is it proper for Parliament to be presented with this miscellaneous Measure when clause 6 makes such fundamental reforms to the assets of the Church Commissioners that the archbishops have promised that, if it is passed, they will not implement its provisions? That is hardly a sensible state of affairs, and it arises for the simple reason that, under the Church of England Assembly (Powers) Act 1919, the Ecclesiastical Committee and this House can only accept or reject—it cannot amend—Measures that come over from Synod.

Many members of Synod are hooked on the idea that, if the House begins to amend Measures, cries of Erastianism will be abroad. That is a total misreading of history, as there was an interlock between Church and state during the period in which the Church of England as we know it today was formed. There is surely a role for this place to say that, on reflection, part of the Measure might be withdrawn, but that we find the rest of it expedient. We are not allowed to do that at present. Either we reject the whole Measure, or we accept the whole Measure.

Mr. Andrew Rowe (Mid-Kent): The hon. Gentleman is making an enormously important point. My right hon. Friend the Member for Selby (Mr. Alison) said yesterday that a quarter of the population went to church on Christmas day. That must be a larger minority than almost any other minority whose affairs the House feels free to discuss.

Mr. Field: I am grateful to the hon. Gentleman. I am hesitant to make these points, because they are read differently by members of Synod who look at our debates. They somehow manage to conjure up all sorts of conspiracies that they think are going on here. They cannot accept the most obvious point—that a large number of Members of this House are interested in what happens to the Church of England, are concerned about its future and want to contribute to that future. They consider that all sorts of plots are abroad.

Newman once made a marvellous point about the school of history which interpreted Lord Burleigh's nods. Instead of recording Lord Burleigh's nods, those involved would go into a rigmarole about why he nodded, why he nodded at that particular time and what was the significance of each nod. Newman dismissed that school of history by saying that it was irrelevant and that one had to judge people by other criteria. I hope that members of Synod judge the House of Commons' contribution by the spirit of our debates. Hon Members want to contribute to the well-being of the Church of England, either because

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they are members of the Church or because they believe that the prosperity of the country will be helped by its survival.

Mr. Nicholas Winterton (Macclesfield): Could the hon. Gentleman share with the House why he feels that Synod has put the Measure before us as it is? Why has it not put forward only that part of the Measure that clearly has overwhelming support, and not the part about which there are rightly considerable reservations and upon which the Archbishops of Canterbury and York have stated that they have no intention of acting now?

Mr. Field: The answer to my hon. Friend, as I shall call him tonight, stems from the nature of the Measure and from the procedure that governs Synod. The deliberations of Synod were ambushed at a late stage. The wishes of the standing committee—the equivalent of a Government's Cabinet—and the archbishops were deliberately disregarded by a minority of Synod who wrote in this part of the Measure.

My right hon. Friend the Member for Selby (Mr. Alison) was kind enough to say that, in a sense, Synod was holding back while others considered the impact of the Social Security Select Committee's report on the Church Commissioners' assets and pensions, but the big report for which the Church is waiting is that of the Turnbull commission, which is trying to consider carefully the structure of the Church and the changes that should be made, including changes to the structure of the Church Commissioners' organisation.

Anyone with an ounce of sense knows that one does not try to pass piecemeal reforms affecting the Church Commissioners while waiting for a major commission to report on the structure of all Church organisations, including the Church Commissioners.

Given the present procedure of Synod and the other clauses that should be implemented quickly, the only alternatives were either to do what my right hon. Friend the Member for Selby explained tonight—he told us that, if we passed the whole Measure, clause 6 would not be implemented—or to lose the rest of the Measure, many aspects of which contain necessary reforms that people want to be implemented quickly.

I hope, therefore, that we shall pass the Measure without a Division, but that the Turnbull commissioners will examine our procedures carefully. It is important that they make recommendations for changing the procedures of the 1919 Act because, for reasons that I explained earlier, our suggestions for reform would be misinterpreted.

I hope that the Turnbull commissioners will come to the conclusion that business could be expedited more effectively if the House had the chance, on occasion, to reject aspects of a Measure without endangering the rest of it. We should not then find the archbishops in the slightly absurd position, which has been explained tonight, of having to say, "Please pass the Measure, but like boy scouts we give you our promise not to implement clause 6." That is not a satisfactory way in which to undertake legislation.

I hope that the Turnbull commission is considering the sense behind grouping often major reforms under the guise of "miscellaneous Measures". Synod reads the House wrongly if it thinks that we shall not provide sufficient time to consider Measures. They do not have to be grouped. My right hon. Friend the Member for Selby, who always steers Church business through the House well, is never refused time to debate a Measure that he wants to put before the House, and the issues could be broken up into separate subject matter. I hope that the commission will consider that idea.

I hope that the commission will also consider the advisability of giving the House the right of veto, not according to our own wishes, but when the standing committee and the archbishops have said, "That amendment was carried against our wishes. We should like you to strike that aspect down, but to maintain the integrity of the rest of the Measure." That would improve our procedure and the way in which we look after and safeguard Church interests in the House.

As I have said, I hope that nobody will oppose the Measure simply because clause 6 is so unsatisfactory. There are other clauses that represent long overdue reforms—I believe that my right hon. Friend drew our attention to clause 2 in particular. I hope that we shall agree the Measure without a Division, but I also hope that the members of the Turnbull commission will prove themselves eminently more sensible than some members of Synod, who dislike our having a say over Church matters as we are doing tonight, and resent our having the power to approve or not to approve Measures.

I hope that we will be seen by the commission as friends who can improve Measures and who do not want in any way to overturn the enabling Act of 1919 or to put ourselves in the driving seat. We should be seen as a group of friends anxious for the well-being of the Church of England, either because we are members of it or because it is impossible to understand English history without understanding the role that the Church of England has played in our affairs. We know that, although there is increasing secularisation, many people look to the Church as being on their side and as their Church. That being so, they expect Parliament to be involved.

10.29 pm

Mr. William Powell (Corby): Not for the first time, it gives me real pleasure to congratulate my right hon. Friend the Member for Selby (Mr. Alison) on the way in which he introduced the Measure. I shall put him out of his misery: I do not propose to divide the House tonight.

I wish, however, to take this opportunity to protest about the Measure and some of its provisions. I do so because I feel that it is completely unnecessary. It is symptomatic of the way in which the Synod feels it has a duty to legislate, whether or not legislation is necessary or, indeed, urgent.

We were told during the Measure's consideration in the Ecclesiastical Committee that there is some urgency about it. The fact is, however, as the hon. Member for Birkenhead (Mr. Field) so clearly made plain, that one of the consequences of our passing the Measure would be to enact, after it has received Royal Assent, some thoroughly bad law that neither the majority of the Synod, during the early passage of the Measure, nor the archbishops of Canterbury and York regard as necessary or desirable.

The House, alas, has become all too used to passing bad law. I can certainly recall one occasion during the past decade on which the Government felt it necessary to

make a similar announcement to that which the archbishops of Canterbury and York have made. The Government said that they would not bring into operation a particular section of a statute, which was then before the House and was going through its last stages, because they felt that it was easier not to do so than to ask the House to reject it altogether.

I want to take this opportunity to protest also about clause 2(3). The hon. Member for Birkenhead says that it is necessary and overdue, but I could not disagree more. Its effect would be to provide in future that the regius professor of ecclesiastical history of Oxford need no longer be an ordained clergyman of the Church of England—as Mr. Thwackham would have said, by law established. With that position has gone a canonry in the cathedral church of Christ at Oxford—Christ Church. Christ Church is at the very heart and centre of the university of Oxford, and although I have no particular affection for that institution, I have to say that I regard the traditional ties of the ancient universities with the Crown and the Church as necessary and worth preserving.

Those of us in the Commonwealth who listen each year to the annual service of nine lessons and carols from King's college in Cambridge will recall that the bidding prayer mentions the two royal and religious foundations of King Henry VI, here and at Eton. I regard those royal and religious foundations as of lasting importance, and in no way should the traditional ties between the Crown, the Church and our ancient universities be lessened.

I also regard the position of professor of ecclesiastical history—particularly a Crown appointment, the regius professorship—as a very important chair in the university. It has been held down the years by some very distinguished men, including men who have gone on to be bishops in the Church of England—not least, of course, the great Bishop Stubbs, the famous ecclesiastical historian whose charters some of us were privileged to study when we were rather younger than we are today.

Cambridge has a chair of ecclesiastical history—the Dixie chair. The holding of that chair is not confined to ordained clergymen of the Church of England. I regard it as very important that the Church of England has within its ranks a large number of scholars, not merely of divinity and the ancient languages, but of ecclesiastical history.

To eliminate the requirement that the holder of the chair be an ordained member of the Church of England is retrograde and unnecessary. It was vaguely suggested to us that the number of candidates for any forthcoming appointments might not be sufficiently large—a contention that I reject as incorrect, but also, in principle, entirely wrong. Clergymen of the Church of England should be encouraged to be scholars of the history of our Church, which, as the hon. Member for Birkenhead suggested, has played a central part in the development of this nation over the centuries.

This morning, I was reading from a volume that I hope hon. Members will consider taking with them on their summer holidays during the long recess—"Retrospect on an unimportant life", by Bishop Hensley Henson. It is a remarkable, thoroughly readable and scholarly document of memoirs, which contain some of the most caustic comments about those with whom Bishop Hensley Henson—one of the most outstanding ecclesiastics of the 20th century—served his academic and episcopal life.

Bishop Hensley Henson was chaplain to the Speaker. He was a canon of Westminster and vicar of St. Margaret's church. When he was vicar of that church in 1908, the Prime Minister, Mr. Asquith, wrote to him offering him the regius chair of ecclesiastical history. Bishop Hensley Henson, as he became, felt that he was not up to the task and made a counter-recommendation to the Prime Minister, which, alas, was rejected.

I say that because, although I do not wish to bring blushes to his cheeks, the Speaker's Chaplain is one of the people who is qualified to occupy that chair. He is an ecclesiastical chaplain of considerable distinction and, although his tenure were he to be appointed might be more limited than some of the holders of the post, he would hold it with at least as great a distinction.

My point is important. It is vital that the Church of England is aware of, and remains deeply committed to, its history and its heritage. If we say that the holder of the most important chair in ecclesiastical history in this country should no longer be an ordained member of the Church of England, he could be a member of the Roman Catholic Church or of the nonconformist Churches.

Mr. John Marshall (Hendon, South): My hon. Friend said that the Measure provides that the holder of the chair must not be a member of the Church of England. Surely it is proposed that the range of choice be widened, but that it would be perfectly in order for the successful candidate to be a member of the Church of England and, indeed, to be the Speaker's Chaplain.

Mr. Powell: Not as Speaker's Chaplain, of course. If I said that that would no longer be in order, that would not be the correct way of formulating it. The Measure says that the regius professor need no longer be an ordained clergyman of the Church of England or an ordained member of that Church. I am protesting about the signal that that sends out.

I want ecclesiastical historians as clergymen and scholars in the Church of England, and I want them to hold prominent roles within the Church of England itself. There always used to be at least one outstanding scholar of ecclesiastical history on the Bench of Bishops. The last one to hold that post was Bishop Moorman, the Bishop of Ripon. It is now some 20 years or so since his retirement and there has been no one of anything like his scholarly distinction since, or indeed, judging from the Church of England today, is that at all likely or in prospect. I regard that as undesirable, and I believe that there should be incentives for scholarly men who are ordained to hold major professorships at the university of Oxford.

To people who say that, of course, there are those who are not members of the Church of England but who are qualified, I can but mention the Dixie professorship at Cambridge. That has been held with great distinction by Professor Rupp, who was a nonconformist. It can, of course, be held by others, but I do not see the need to break a link that goes back hundreds of years, which has been valuable and important to the history of our Church—and, therefore, to the history of our nation—and which has been held by some outstanding people. Too often, we dispose of the old links, and do so in a way that I regard as unfortunate. Often, such moves are rushed, and I take this opportunity to protest that the Measure was unnecessary.

A professor of ecclesiastical history would be able to be promoted beyond that position in due course. As I have said, it is necessary that those on the Bench of Bishops in

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the House of Lords are scholars of the history of our Church. Of course, their main function is to attend the House of Lords, support the Government of the day and preach improving sermons, especially before Parliament on occasions of national importance such as the delivery from the gunpowder plot.

It is necessary that those on the Bench of Bishops recall the history of our Church and do so by remembering that the Church of England is in danger, as it always has been. It is necessary that they are also able to preach about the great sermon delivered before the Lord Mayor by Dr. Sacheverall, which reminded the nation that the Church was always in danger and remains so. Too often, such matters are overlooked and forgotten, and I regard that as highly undesirable.

We are passing into law a Measure that is another retreat from the traditional position of the Church of England. That is a wholly undesirable development. Although I shall allow the Measure to be passed without a Division, I take this opportunity to protest.

10.41 pm

Mr. Alison: With the permission of the House, I shall speak a second time. In doing so, I am conscious of the fact that the hon. Member for Easington (Mr. Cummings) is having to be on duty this evening and is not necessarily very much in sympathy with Church of England affairs keeping the House up too late. I shall therefore do my best to be brief. I concede, however, that the hon. Gentleman was helpful in his earlier interchanges with me about Church Commission housing in Easington. If there is anything that we can continue to do to help him, I shall be glad to do it.

The hon. Member for Birkenhead (Mr. Field), who spoke for the Opposition, kindly told me that he would have to leave early. I shall in his absence make a quick response to the points that he made, and he will no doubt take note of them through the *Official Report*. I take seriously his criticisms of the offending clause 6, to which he specifically referred. Indeed, I was party to the device by which its effective non-implementation was secured—the archbishops undertook not to implement it.

My hon. Friend the Member for Corby (Mr. Powell) offered trenchant criticisms of the procedures of Christ Church, Oxford. The fact is that such a Measure is not likely to come before the House again precisely for the reasons given by the hon. Member for Birkenhead—the gestation and birth of some fundamental proposals for reform along the lines that would appeal to my hon. Friend the Member for Macclesfield (Mr. Winterton). The so-called Turnbull committee will examine the relationship between the General Synod and Parliament and questions such as whether we should have more of an opportunity to make amendments. Such proposals are being made, and I hope that some of the misgivings expressed this evening will themselves be the subject of reform.

I am sure that my hon. Friend the Member for Corby will be interested to know that I am advised that Lord Bridge of Harwich, an early chairman of the Ecclesiastical Committee, is chairing the synodical government review, which is looking at the Measure procedure. At least he knows from his experience of chairing the Ecclesiastical Committee how frustrated we have been in the past. At least he knows the kind of anxieties that Parliament has about the Measures.

I do not think that the strictures of my hon. Friend the Member for Corby about the changes proposed for Christ Church would command universal support or assent in the House. I suspect, for example, that there are colleagues who feel that England may have invented cricket, football and rugger, which we did—

Mr. William Powell: Or regius professorships.

Mr. Alison: And clerically ordained regius professorships—but that the fact that Wimbledon was won by an American combating a German, that the All Blacks have proved to be extraordinary rugger players and that England does not always win the World cup has enriched those games.

Let us therefore enjoy the extra richness that will come to the university of Oxford by the throwing open of the regius professorship, as happens at Cambridge, to members of other Churches with other status. It is, after all, a competitive environment in the university world nowadays and it is precisely because Cambridge is able to appoint a Professor Rupp that Oxford is feeling a cold draught and feels that it should be enabled to develop its scope and range of appointments more widely. I hope that there will at least be some sympathy with the "Oxford" approach, if not with the "Corby" approach.

With relief that neither my hon. Friend the Member for Corby nor the hon. Member for Birkenhead—nor, I hope, the hon. Member for Easington—will seek to divide the House, I hope that the Measure will be passed.

10.46 pm

Mr. Peter Brooke (City of London and Westminster, South): Because my hon. Friend the Member for Corby (Mr. Powell) spoke on historical matters, I would make a minor plea to him. He might have a look at the text of his speech. The report of his rendering to the Ecclesiastical Committee reveals that, whenever he mentioned a proper name, there is a question mark after it, as though the writer was not absolutely certain of whom he was speaking. Bishop Moorman is a notable exception to that observation. In at least one case I believe that the writer has spelt the name wrong, although I do not blame him or her for that.

In the interests of historical accuracy, given that these matters will be read by PhD students in 200 years time, it would be helpful if my hon. Friend would supervise the record taken in *Hansard* tonight.

Question put and agreed to.

Resolved,

That the Church of England (Miscellaneous Provisions) Measure, passed by the General Synod of the Church of England, be presented to Her Majesty for Her Royal Assent in the form in which the said Measure was laid before Parliament.

Haemophiliacs (Hepatitis C)

Motion made, and Question proposed, That this House do now adjourn.—*[Mr. Kirkhope.]*

10.47 pm

Mr. John Marshall (Hendon, South): There is always a risk with an Adjournment debate held at this hour that the attendance does not reflect the support for a particular point of view. I can assure my hon. Friend the Minister that the hon. Member for Belfast, South (Rev. Martin Smyth), my hon. Friend the Member for Salisbury (Mr. Key), the right hon. Member for Manchester, Wythenshawe (Mr. Morris) and my right hon. Friend the Member for Worthing (Sir T. Higgins) would have been here if they could have been. Early-day motion 1219, which relates to this issue, has attracted 230 signatures.

I pay tribute to the Haemophilia Society—whose chairman, Rev. Alan Tanner, is a constituent of mine—which does so much for sufferers from haemophilia. I also pay tribute to the dedicated staff of the haemophilia centres around the country, who seek to treat those suffering from that disease, and particularly the staff of the centre at the Royal Free, which treats a number of sufferers from my constituency.

I have a sense of deja vu because, on 15 October 1990, I instigated another Adjournment debate on the plight of haemophiliacs who had been infected with HIV. The Minister who answered on that occasion was none other than my right hon. Friend the present Secretary of State for Health, then Under-Secretary of State. He said:

"The judge's argument is based on the proposition that the Government have a moral obligation to the victims in this case. The Government accept that moral obligation"—[*Official Report*, 15 October 1990; Vol. 177, c. 1033.]

Within a few weeks of that speech, the Prime Minister, in answer to a question of mine at Prime Minister's Question Time, announced that the Government were to give an ex gratia payment to haemophiliacs infected with HIV. The Secretary of State for Health who persuaded the Government to do that was none other than our right hon. Friend the present Chief Secretary to the Treasury. I therefore suggest to my hon. Friend the Minister that his career has a chance of going right into the stratosphere if he can reveal a generous scheme today. He certainly deserves that boost as he was a first-class pairing Whip—the definition of a first-class pairing Whip being one who gives people a night off occasionally.

It is right to remind the House of the sequence of events in the 1970s and early 1980s. In 1974, the Medical Research Council, worried about the spread of hepatitis through infected blood, recommended that the United Kingdom should become self-sufficient in blood products. In other countries, individuals sell their blood, and among those who do so are drug addicts and others who are the origin of risk.

In 1975 Lord Owen, then Minister of Health, said that Britain would become self-sufficient in blood in two to three years. It is a chilling indictment of the locust years of the late 1970s that, if that promise had been kept, this debate would not need to be held and some of those who have died would be alive today.

There was a history of warnings in the early 1980s, as my hon. Friend the Member for Wealden (Sir G. Johnson Smith) would confirm from his wife's specialist knowledge of that issue. The first death of a haemophiliac as a result of infected blood products took place in January 1982 in Florida. In July 1982, the director of disease control in Atlanta published the first warning. There was a further warning in 1983 in *The Lancet*, but it was not until April 1985 that the NHS heat-treated factor VIII became available—10 years after the pledge by Lord Owen.

In January 1995, my hon. Friend the Minister announced a look-back exercise to try to find out how many people had been infected with hepatitis C. It is not yet known exactly how many people were infected with hepatitis C as a result of receiving infected blood products and infected blood, but it is obvious that about 3,000 haemophiliacs have been infected with hepatitis C and some of them have also been infected with HIV.

Although the position of those infected with hepatitis C is not the same as that of those infected with HIV, the parallels are close. It is wrong to ignore the financial plight of the latest batch of victims. The cause of infection is the same in both cases—infected blood products administered through the NHS. The consequences for many will be the same. For many, although obviously not for all, hepatitis will be just as sure a sentence of death as HIV.

The economic difficulties will be similar. Life insurance will be expensive, if not prohibitive, and mortgages will be difficult. The emotional problems will be the same. The incidence of hepatitis C varies with individuals and the timing of complications varies over a substantial period. We know, however, that, of the 3,000 haemophiliacs who have been infected with hepatitis C, about 600 will develop cirrhosis of the liver. When that happens, their chances of survival will be slim.

Whenever we debate such an issue, the Treasury talks about cost. If the onset of cirrhosis of the liver were to be the trigger for payments similar to those given to individuals infected with HIV, payments would be spread over a number of years and we would not face a huge bunching of payments in, for example, the current financial year.

The circumstances of those infected with hepatitis C vary greatly. Many will live for many years. Some—perhaps 25 per cent.—may be cured completely through interferon alpha. Others, however, will die, and already more than 50 have done so.

The current position is illogical. There was a family of three brothers: two died through having HIV and were, of course, compensated; the third, who died because he had been infected with hepatitis C, received no payment. How can one say to the mother of those three sons, "Your three sons have all died prematurely due to treatment received through the NHS. The two who died in one particularly unpleasant way were compensated, but the third, who also died in an unpleasant way for a similar reason, received no compensation whatever." The mother believes that the third son should receive not a penny more, but not a penny less, either.

Mr. Nicholas Winterton (Macclesfield): I am grateful to my hon. Friend, because I entirely sympathise with the case that he is putting to the Minister. Am I not right in saying that the House has a moral duty to represent these people who, through no fault of their own, have been infected with hepatitis C? Am I not also right in saying that, overwhelmingly, the people of this country—as they

[Mr. Nicholas Winterton]

did in the case of those infected with HIV—would be only too happy for the House, which represents the people and which has a moral duty, to provide compensation for those people who through no fault of their own have contracted what is, in some cases, a killer disease?

Mr. Marshall: Having served under my hon. Friend on the Mental Health (Patients in the Community) Bill, it is a pleasure to agree with him again, as I did so frequently during the passage of that Bill.

We are in a position that most people would regard as illogical and immoral. It has been claimed that haemophiliacs who become infected with hepatitis C would have died if they had not had the benefit of factor VIII. That is not so: factor VIII was designed to enhance the quality of life—it was not a life-saving treatment.

The Macfarlane trust has administered the scheme for haemophiliacs infected with HIV with care, dedication and skill. When the Government decide to give payments to those infected with hepatitis C, they should use the well established machinery of the Macfarlane trust rather than create a new body to do so.

Of course, we shall be told by my hon. Friend the Minister—if we are not told by him, he will certainly be told by the Treasury—that there is a risk of setting a precedent. That is what we were told in 1990. We were told that we would open the floodgates if we allowed haemophiliacs who suffered from HIV to be compensated. What happened was that, after much effort, another group were compensated—from memory I believe that there were fewer than 100 people—who were non-haemophiliacs and who had also been infected with HIV. Clotting factor concentrates have been heat-treated since 1986 and blood has been screened for HIV since 1991. I therefore do not believe that, if we concede this fair and right case, there will be a flood of cases thereafter.

It is always the weakest of weak arguments to say that something cannot be done because it creates a precedent. If patriotism is the last resort of a scoundrel, the argument about precedent is surely the last resort of mean-minded scoundrels in the Treasury. We have to ask ourselves whether there is a problem and whether that problem is the responsibility of the individuals concerned. The Government must not act like the Pharisee of old; they must help those people who are in an unfortunate position through no fault of their own.

In April 1995, the chief medical officer sent a circular to doctors about the treatment of hepatitis C, in which he stated:

> "Interferon alpha is the only licensed therapy for chronic hepatitis C".

I am sure that my hon. Friend the Minister will accept that the drug is successful in only a minority of cases. After three months of treatment, 50 per cent. of patients will have responded to the treatment and, of that 50 per cent., only 50 per cent. will be cured after 15 months of treatment. Interferon alpha can successfully treat 25 per cent.—one in four—of the individuals infected with hepatitis C.

It is also true that the earlier the treatment is applied, the more likely it is to be successful. I was upset to learn from the Haemophilia Society this morning that some haemophilia centres do not have sufficient supplies of interferon alpha to treat all those who need treatment. That seems quite wrong. I hope that my hon. Friend the Minister can assure us that there will be no shortage of interferon alpha at haemophilia centres and that the Government will provide central funding if that proves necessary. While interferon alpha is expensive initially, it will allow one in four of those infected with hepatitis C to lead a full, healthy and active life. It is a much less expensive treatment than a liver transplant or vaccinating infants against hepatitis C.

In the late 1980s, some viewed the issue as a legal matter; others said that it was a clinical matter and that the individuals concerned had received the best possible clinical treatment. I do not believe that it is a legal or a clinical issue: I believe that it is essentially a moral issue. I think that the majority of British people believe that those who receive unfortunate treatment and who become critically ill and, in some cases, economically inactive through no fault of their own should be compensated.

11.2 pm

The Parliamentary Under-Secretary of State for Health (Mr. Tom Sackville): I agree with my hon. Friend the Member for Hendon, South (Mr. Marshall) that the relatively small number of hon. Members present in the Chamber does not indicate any lack of concern about the subject—a concern that I share.

My ministerial colleagues and I have great sympathy for those patients who may have become infected with hepatitis C through blood transfusions or blood products, as we do for anyone who is inadvertently harmed through medical treatment. Despite the recent well-publicised problems with allegedly defective equipment in the blood transfusion service, this country's record of blood safety is among the best in the world.

The debate reminds us that, alongside the great benefits to patients, medical procedures rarely come without some risk. It is important to remember that it is not always possible fully to appreciate the risk at the time or to avoid suspected or known risks. In the case of each individual patient, a balance must be struck between the benefit to be gained versus any possible risk.

Let us look at the facts of hepatitis C. Most haemophilia patients infected with hepatitis C were so infected before blood products were treated to destroy viruses in 1985. That was well before the first hepatitis C tests were available in 1989. Those patients received the best treatment available in the light of medical knowledge at the time. When those patients were infected, little was known about hepatitis C, or non-A, non-B hepatitis as it was then known, and even today a lot more information is needed.

The House will be well aware that, notwithstanding the subject of the debate, the availability of factor VIII concentrate has brought great benefits to patients with haemophilia. Previously, only about 5 per cent. of patients with severe haemophilia reached the age of 40, whereas by 1980 the life expectancy was very close to that of normal males. There was less need for long periods of hospitalisation and boys had a better chance of achieving a reasonable education. Additionally, the convenience of patients being able to keep concentrate in a domestic fridge and treat themselves at the first sign of a bleed meant a considerable reduction in long-term disability.

Before there was any test for non-A, non-B hepatitis, the only way to safeguard blood was to limit those from whom blood was taken by a system of self-deferral. It excluded, among others, those known to be suffering from hepatitis or any other liver disease; drug misusers; and men who were sexually active with other men.

No one should underestimate the effects of hepatitis C. The point that I am making, and this is at the heart of the debate, is that, contrary to views that have already been expressed in another place, patients who tragically contracted HIV through NHS treatment were in a different category. Their exceptional circumstances caused us to make special provision for them.

Many people infected with hepatitis C, as has already been said by my hon. Friend, may live for a long period without any symptoms appearing. However, 50 per cent. of sufferers may progress to chronic hepatitis with varying degrees of good or ill health. Perhaps 20 per cent. of infected patients will develop cirrhosis, a progressive destruction of the liver that may take 20 to 30 years. The majority of those years will be trouble-free in terms of ill health and, as I have mentioned, only a small proportion will die of liver disease, but every death is a tragedy for the family concerned.

In the case of those who contracted HIV through NHS treatment, special payments were made and trusts established to help sufferers or their families in cases of hardship. Those arrangements were put in place in recognition of the very special circumstances of those who contracted HIV. Those affected were all expected to die very shortly, although it has since become clear that, fortunately, that is not always the case. It meant that there might also be significant numbers of young children who had lost one parent or perhaps both if the disease had been transmitted also to their partner.

Sufferers were also subjected to stigmatism and a whole range of other social problems. There were cases of doors daubed with graffiti, lost jobs and children not allowed to mix with other children at school—in short, people were denied any normal family life.

I would in no way wish to minimise the physical suffering of those who have been infected with hepatitis C through blood or blood products—the suffering which may result or the worry which they or their family may experience—but each case has to be examined on its merits. I have to recognise that those who have contracted hepatitis C are not also subject to all the additional problems experienced by HIV sufferers, who were accepted as being a very special case.

Many people infected with hepatitis C may live for a long period without any symptoms appearing or may never experience any. In any case, some people would argue that although individuals were infected in different ways, they are entitled to payments—even though no fault on the part of the NHS was proved. The Government have never accepted the case for a no-fault scheme of compensation for medical accidents. There are sound reasons. Proof of causation would still be needed. It may be just as difficult to establish that medical treatment has caused injury as to prove that someone has been negligent. It also has to be demonstrated that the outcome was not a foreseeable and reasonable result of treatment.

It would be unfair to others if individuals whose plight was the result of a medical accident would be compensated, whereas those whose condition stemmed, for instance, from disease from birth would not. Health negligence is not considered fundamentally different from negligence in other walks of life, where claims for compensation are resolved through the courts.

The experience of other countries that have tried to follow the compensation path has strengthened the Government's view. The costs of the New Zealand scheme have proved extremely high—some 1 per cent. of gross domestic product, which is equivalent to £6 billion in the United Kingdom. In addition to practical difficulties, that scheme effectively denies access to the courts.

I understand that payments under Sweden's no-fault compensation scheme are much lower, but the authorities have found it necessary to make additional payments to individuals infected with HIV. I am not aware of any country in Europe that has made payments to patients with haemophilia infected with hepatitis C through blood products.

Every individual case in which a medical accident has occurred is a personal tragedy for the individual and his or her family. If the NHS is proved negligent in a court, of course the service accepts its liability to pay damages. It remains the Government's view that the most effective use of available resources is to seek to improve the understanding, management and treatment of the condition. Only in that way can the disease's impact on individual patients and their families be effectively minimised.

Sir Geoffrey Johnson Smith (Wealden): My hon. Friend said that one way of trying to meet the problem is to improve treatment. My hon. Friend the Member for Hendon, South (Mr. Marshall) told the House that some patients are not receiving supplies of interferon alpha. We know that medication is not cheap but it offers relief—and in some cases a cure. Can my hon. Friend assure the House that the cost of supplying interferon alpha will be born by the Government, so that affected patients can be properly treated?

Mr. Sackville: I was about to assure the House that I will investigate the issue of medication supplies raised by my hon. Friend the Member for Hendon, South to see what can be done to ensure that the treatment promised is provided.

The Department is already supporting an initiative by the Haemophilia Society to undertake a study of the best way to support those of its members who are infected with hepatitis C. The Department has made available substantial funding in 1995 and 1996, with a commitment to further funding over a number of years. We are also discussing with haemophilia centres what must be done to ensure good practice in the treatment of people with haemophilia who also have hepatitis C.

If I may, I shall summarise what I have said. On behalf of the Government, I would like to express the greatest sympathy for those who have contracted hepatitis C through NHS treatment. We are taking a number of measures designed to enable them to receive the best possible advice and treatment. But it remains the Government's view that, in the absence of proven negligence on the part of the NHS, there is no case for using moneys which would otherwise be used for the care and treatment of other NHS patients to make special payments to those affected.

Question put and agreed to.

Adjourned accordingly at fourteen minutes past Eleven o'clock.

House of Commons

Wednesday 12 July 1995

The House met at Ten o'clock

PRAYERS

[MADAM SPEAKER *in the Chair*]

Intensive Care (London)

Motion made, and Question proposed, That this House do now adjourn.—*[Mr. Burns.]*

10.4 am

Mr. Roger Sims (Chislehurst): First, I thank you, Madam Speaker, for the opportunity to have this debate, and the manner in which you responded to my application.

Just before 11 pm on 6 March, the London ambulance service was called to an incident in Orpington, where the ambulance crew found my constituent, Mr. Malcolm Murray, lying unconscious with severe head injuries. He was admitted immediately to Queen Mary's hospital, Sidcup, which lies within the constituency of my right hon. Friend the Member for Old Bexley and Sidcup (Sir E. Heath).

The senior house officer, an experienced and able clinician, concluded that the patient needed neurosurgery, and efforts were immediately initiated to find an intensive care bed where he could receive such treatment. None could be located in the London area, so the search was extended further afield, and eventually Leeds general infirmary agreed to accept the patient. Speed in transferring him was of the essence, but the London helicopter medical service does not operate at night, so the Royal Air Force was called in. It picked up Mr. Murray from Queen Mary's by helicopter at 6.30 am, and he arrived at Leeds at 8.15 am. Sadly, the patient did not survive.

Medical opinion is that it is most unlikely that any treatment, wherever it was given, could have saved Mr. Murray, but the incident attracted nationwide comment and concern. Naturally, the concern was particularly strong in the neighbourhood in which Mr. Murray lived. The incident in which he suffered the injury has led to a man being charged with murder. It is not difficult to imagine how the tragedy has affected his girl friend, Teresa Davy, and his many friends, and their distress was compounded by the difficulty in securing proper treatment for him. Ms Davy and others mounted a campaign and drew up a petition that attracted more than 4,000 signatures. She came to see me at my advice bureau expressing determination that action should be taken to prevent a repetition of those events.

Miss Davy's reactions and those of others in my constituency and further afield were fully justified. We are all entitled to expect that, should we suffer sudden illness or accident and need intensive care, we shall get it.

In the aftermath of the incident, inquiries into it and its implications were set up by both the regional health authority and Queen Mary's hospital trust. On 23 March, the hon. Member for Woolwich (Mr. Austin-Walker) initiated a brief Adjournment debate on neurosurgery, in the course of which he referred to this case. But at that stage, full details were not known, and the reports had not yet been published. A few days later, they were, and they made various recommendations and raised a number of issues, referring mainly to the availability of facilities.

Both reports speak well of the care that Mr. Murray received at Queen Mary's hospital and of the staff there, with one exception. They are unfairly critical of the consultant orthopaedic surgeon, Mr. Anthony Percy, who also happens to be my constituent. Mr. Percy's treatment is an aspect of the case about which I know my right hon. Friend the Member for Old Bexley and Sidcup feels particularly strongly. I shall confine myself to saying that statements made by the region and the trust, and comments in the media, about Mr. Percy were, in my view, grossly unfair, and have damaged his clinical reputation. I hope that the Minister will take this opportunity of putting the record straight.

One matter that obviously needs clarification is exactly how many intensive care beds there are in London—by which I mean broadly that area within the M25. Following an exchange on the radio with the hon. Member for Newcastle upon Tyne, East (Mr. Brown), in which he claimed that the number of intensive care beds in London had decreased in recent years and I said that they had increased, I tabled a parliamentary question and had an exchange of letters with my hon. Friend the Minister, whom I am glad to see in his place to respond to the debate.

This is not an issue on which we should seek to score party points with regard to statistics, but perhaps we might have clarification as to how many intensive care beds there are in London, as distinct from North Thames and South Thames regions, which cover a far wider area.

Having established that figure, I would then ask whether it shows that there is an adequate number of intensive care beds, and what formula is used for calculating how many are needed. Since March, there have been other similar cases of patients being transferred out of London, which certainly does not suggest that we have a surplus of intensive care beds.

A few weeks ago, I initiated a Wednesday morning debate on the future of Guy's hospital. I shall not rehearse that today, but I draw attention to the fact that Philip Harris house at the hospital has been planned and equipped, among other things, to accommodate 15 intensive care beds. Surely, far from now planning to use those spaces for other purposes, they should be brought into use as soon as possible.

The issues include not only the number but the type of beds. Not all intensive care beds are the same with regard to the equipment adjacent to them or the staff to service them.

Any one of us or our constituents might at any time suffer a heart attack, and the chances are that whatever hospital we were taken into in the London area would be able to treat that condition. However, if, for example, we were involved in a road accident and suffered head injuries necessitating neurosurgery, that would not necessarily be the case. Only a handful of hospitals can offer that treatment. Although, in theory, sufficient beds should be available to meet those likely needs, obviously there is a question whether there are sufficient. The Malcolm Murray case suggests that there are not.

[Mr. Roger Sims]

The Department of Health is not short of advice on that matter. A report by the Society of British Neurological Surgeons published in February 1993 recommended that four neurosurgical intensive care beds should be available per million of the population. At present, in the whole of South Thames, there are nine beds for a population of 7 million—little more than one per million. The Brook general hospital, which has a catchment area of more than 3 million, had two intensive care beds.

I say "had", because the Brook unit has closed. The King's/Maudsley neuroscience centre is currently running at 40 beds short, as the new Ruskin wing has not yet been commissioned, and, although the surgeons from the Brook have been transferred to King's, they have yet to be allocated secretaries or operating space.

Commenting on his report on the Malcolm Murray incident, the chairman of the South Thames regional health authority said on television that there was no shortage of neurosurgical intensive care beds in London. Who is right—he or the surgeons? Does the Minister accept the Society of British Neurological Surgeons' report, and does he intend to take steps to implement its recommendations?

I have dwelt on neurosurgery, because it is so important, but similar considerations apply to other specialties. I ask again: is there any formula to decide how many intensive care beds we should have in London and the different types of beds there should be, and any policy as to where they should be situated?

Another general issue is how many intensive care beds should be used for routine surgery, and how many earmarked for emergency. I realise that there is a difficult balance to be struck in maintaining empty beds, and staff for them, at considerable cost for emergencies that may not arise, when the beds might be used for elective surgery such as bypass operations. Does the Department issue any guidelines on that?

I also suggest that there should be some clarity on where authority lies when hospital staff seek intensive care beds. In their report, the regional health authorities say:

"In the Panel's view, greater senior clinical advice and direct involvement at Queen Mary's may well have been successful in securing a more flexible response from the hospitals contacted, notwithstanding the pressures they were experiencing."

That, of course, implies criticism of Mr. Percy, whom I have mentioned, and were the grounds on which he was censured. Indeed, in his covering letter to the Secretary of State, the chairman of the regional authority wrote:

"The direct involvement of the senior clinician in obtaining a referral would have made a significant difference".

In fact, in subsequent correspondence with Mr. Percy, the trust has accepted that finding beds is a management responsibility.

In any case, if a clinician is considered sufficiently qualified and experienced to be in charge of a hospital accident and emergency department, surely his judgment should be accepted, regardless of his status in the hospital hierarchy. Indeed, paragraph 6 of the hospital's report says:

"The clinical acceptance of referred patients should not depend upon the seniority of the referring clinicians".

That surely must be right, and I hope that the Minister can confirm that.

An extraordinary feature of that case was the amount of time that staff at the hospital had to spend simply trying to locate a bed. The conclusion that Mr. Murray needed a neurosurgery bed was reached just after midnight, and the hospital's report comments:

"Chasing beds and securing transfer arrangements continued until 05.00 hours. That should not have been necessary and is unacceptable. The lack of any central reference point under such circumstances is a case for extreme concern."

To that we should all surely say, "Hear, hear," and it appears extraordinary that, when we now have so much sophisticated technology available to us, the only way that staff could find out if there was an empty bed was to telephone hospitals one by one.

The first recommendation in the region's report reads:

"A register of intensive care beds availability across the Thames Regions should result in easier and better communication of bed availability. Work on this has already started and the register will be introduced in mid-April. The register will be able to be sourced by telephone and will be updated twice a day."

Can the Minister confirm that that system is now in place, and, if so, is it operating effectively?

Finally, can my hon. Friend confirm that the procedures to be followed in such cases as that have been clarified? Another of the region's recommendations was:

"Commissioners must ensure that hospitals have and follow agreed intensive care bed management procedures and their initial review should be completed within three months."

That recommendation was made on 28 March, so the three months has now elapsed, and I hope that the reviews have been completed.

I hope that, in the course of the debate, the matter of the unwarranted criticism of my constituent Mr. Tony Percy will be resolved and that he will be cleared of the charges made against him.

Miss Davy and her friends were determined that whatever happened in the case of Malcolm Murray should not be allowed to happen again. I believe that they were perfectly entitled to make that demand. I hope that the Minister will give the assurances that they, and I, seek when he replies to the debate.

10.19 am

Mr. John Austin-Walker (Woolwich): I am sure that Labour Members would endorse all that the hon. Member for Chislehurst (Mr. Sims) has said. I share his views about the medical staff at Queen Mary's hospital, Sidcup, and I wish to be associated with his remarks in that regard.

I will not dwell upon the specific circumstances of the Malcolm Murray case and the events of that tragic night, because I dealt with it in the earlier debate to which the hon. Gentleman referred. The hon. Gentleman also set out those circumstances very clearly this morning.

However, I remind the House and the Minister of the tragic death of Roberta Gerardo on new year's day. I have nothing but praise for the medical and nursing staff at the North Middlesex hospital, but there was an eight-hour delay in finding an intensive care bed for that mother of two. There were telephone calls to hospitals as far away as Cambridge in an attempt to find a bed. One was eventually located 20 miles away in Hemel Hempstead, but, sadly, the case of Roberta Gerardo had the same tragic ending as that of Malcolm Murray.

The recent report of the Health Select Committee found that, for a number of years, the former Secretary of State had ignored all the signs of a crisis in the London

ambulance service. The Select Committee said that, if the political will had existed, the crisis could have been averted. I draw the Minister's attention to the existing crisis in the provision of intensive care facilities, not just in Greater London but, as the hon. Member for Chislehurst said, in the area within the boundaries of the M25.

There is sufficient evidence to show that it is not just a matter of an occasional crisis, such as the cases of Roberta Gerardo and Malcolm Murray. Night after night, hospital staff throughout the capital and beyond spend hours on the telephone trying to find appropriate facilities for patients whose lives are at risk.

The former Secretary of State accused Labour Members of being obsessed with the issue of hospital beds. But every time we asked the former Secretary of State and the Department of Health about the availability of beds and about hospital closures since 1979, she replied that the Department did not know. The Department of Health does not know how many beds have been lost, and it does not know how many hospitals have closed. The Department of Health does not collect details of the number of existing hospitals, let alone details of hospital closures.

Fortunately, the Library of the House of Commons has produced figures about the number of hospital beds available in London. I do not think that we can divorce the provision of acute services and acute beds from the crisis in the provision of intensive care facilities.

The Library data show that, between 1979 and 1993-94, the number of national health service beds in Greater London fell by 49 per cent., and the number of acute beds by 45 per cent. I know that the new Secretary of State has said that he does not intend to revisit the decisions of the former Secretary of State, but I urge him to re-examine the basis of the decisions to rationalise hospital services and to close beds in London.

We know that the Government are still pursuing the Tomlinson agenda. A recent survey showed that, in order to reach the Tomlinson targets and equalise with the rest of the country, 400 beds had to be lost in 1992-93. In fact, 1,499 beds were lost in that year.

The crisis goes across all emergency services. Hospital staff and consultants who provide acute care are spending inordinate amounts of time on the telephone trying to find beds, and we know that the same crisis exists in the mental health and psychiatric spheres. In my constituency, which has a bed occupancy rate of 120 per cent., patients must often be transported to facilities as far away as Oxford.

The calculation of the number of beds required in London is based upon the Tomlinson report and the subsequent report of the King's Fund. The Secretary of State must also examine the later report of the King's Fund entitled "London—the Key Facts", which was published in April 1994. It stated:

"The Capital's health care needs have been underestimated. There are now good reasons for believing that London merits a larger—not smaller—share of the NHS cake".

Unless London receives an additional share of the cake, I do not believe that it can begin to address the acute needs of its communities and the problem of the shortfall in intensive care provision without damaging other areas of the health service. The King's Fund estimates that London needs an extra £200 million. If the York formula of resource allocation had not been tampered with, it is likely that London would have received those funds already. However, the Government have adapted resource allocation which distorts the formula and takes resources away from areas of social need, such as London.

The hon. Member for Chislehurst referred to the closure of the Brook hospital—the hospital that should have taken Malcolm Murray but which did not have a bed available on that evening. As the hon. Gentleman said, the hospital is now closed. Service planners in the South Thames region say that a neuroscience unit requires five or six intensive care beds. At the time of Malcolm Murray's death, the King's site had two intensive care beds and the Brook had three.

It has now been decided to relocate the Brook unit to King's hospital. The services which are provided for the people of south-east London and north Kent—the area represented by the hon. Member for Chislehurst and the right hon. Member for Old Bexley and Sidcup (Sir E. Heath)—have been relocated in inner London. That area is close to the M2, the M20 and the M25, and the high incidence of road traffic accidents may result in the need for intensive care and neurosurgery services. It makes no sense to relocate those very important services further away from the area they are intended to serve and closer to central London.

The situation is the same north of the river in east London. The neuroscience facilities at Oldchurch hospital may be transferred to the Royal in inner London. For years, a threat has been hanging over St. George's trust and the world-renowned Atkinson-Morley hospital in south-west London. Moving specialist units and the intensive care facilities that go with them further into central London seems to fly in the face of the Government's original aim to move services out of the centre of London.

Although, in some ways, inner London may be over-supplied with acute services, the same is not true of Greater London as a whole and those constituencies on the periphery of London. It seems strange that the current practice should fly in the face of the Government's professed policy of allowing services to follow the patients. We now find patients chasing scarce resources and scarce beds.

No one has adequately explained to me or to my local community health council why the former Secretary of State took the decision to shoehorn the services at the Brook hospital into the King's Maudsley. The former Secretary of State ignored the fears, concerns and dissatisfaction expressed not only by my constituents but also by consultants involved in service provision.

The hon. Member for Chislehurst referred to the way in which the services have been shoehorned into the unit at King's with 44 Maudsley neurology beds, without easy access to medicine, surgery or intensive care.

The Secretary of State says that proximity to psychiatric services will be advantageous to the neurosciences. It would not have been advantageous in the case of Mr. Murray or most people requiring acute neurosurgery. There is no logical argument for locating neurosurgery services with psychiatry. They need to be located in a major trauma centre with intensive care facilities.

It would have been possible to transfer the services from the Brook, either to the new Queen Elizabeth hospital when the trust takes it over from the Ministry

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of Defence, or alternatively, to Queen Mary's hospital in Sidcup, where it would have been perfectly placed to serve the sub-region for which it was designed.

There is chaos in the neurosciences following the closure of the Brook hospital, and I am particularly concerned about paediatrics. At the moment, the neurosciences are split; neurology is at the Maudsley, neurosurgery is at King's, and paediatric neurology is split between Guy's, St. Thomas's and King's. Paediatricians at Greenwich are now saying that they would prefer to send their patients to Great Ormond street, where all those services, including intensive care, are provided under one roof.

A worrying aspect of the report into the incident involving Malcolm Murray is the suggestion that perhaps the region should be looking at private facilities. Is that the route that the Government are taking? If there is sufficient supply of intensive care specialist facilities, why should the region and the trust have to look to the private sector?

The Minister talks about more effective bed management, saying that it is not a matter of the number of beds but how they are used. The hon. Member for Chislehurst said that there has to be a balance between keeping emergency beds open and using them for necessary, urgent and acute work. To my mind, that demonstrates the pressure on the acute beds and the inadequacy of provision to meet the demand for acute services. I also fear that what the Minister is saying may inevitably lead to the earlier discharge of critically ill patients than is clinically justifiable.

In the debate on 23 March on neurosurgery services in the south-east, the Minister referred to a meeting two days earlier between the Secretary of State and the royal colleges, the Intensive Care Society and the British Association of Critical Care Nurses to discuss the MacPherson report. He said that the meeting had been brought forward. I do not know whether that was because of my Adjournment debate or because of the tragic circumstances of Malcolm Murray, but it is worrying that it requires such a tragedy to spur the Secretary of State into action.

What was the result of that meeting, apart from the establishment of the steering group? What are the recommendations of that working group, and when is it likely to report to the House? I hope that the Minister will provide some answers to the questions that are being asked today, and that it will not require a further tragedy such as that of Malcolm Murray or Roberta Gerardo before the Government act to address the number of intensive care beds required to serve the capital city.

10.34 am

Sir Edward Heath (Old Bexley and Sidcup): I am delighted that my hon. Friend the Member for Chislehurst (Mr. Sims) has had the opportunity of raising this subject today. I owe him and the House an apology for not being here for the first part of his speech, owing to traffic conditions entirely beyond my control. Since then, he has given me the opportunity of reading his speech, which I have done, and I thoroughly support everything he said.

As my hon. Friend knows, I should like to add one or two points. There are two major aspects of the problem that has been raised today. The first is the national one, which concerns the facilities available for dealing with such cases. The second is the personal one concerning Mr. Percy, who is a constituent of my hon. Friend. He came to see me directly after the events, because Queen Mary's hospital is in my constituency, and that was where he became involved.

I shall first add a word to what my hon. Friend and Opposition Members have said about the provision of intensive care facilities in Britain under the health service. It is quite obvious that they are not sufficient. Today we are discussing two cases. One involved a patient in Maidstone who had to be driven to Southampton before a bed could be provided where he could have proper treatment. That cannot be a satisfactory state of affairs. In respect of Queen Mary's, as is well known, a patient had to be flown from Sidcup to Leeds by a helicopter that was specially commissioned from the Royal Air Force, and paid for by the Royal Air Force, before he could receive proper treatment.

There is general agreement among the medical profession at Queen Mary's and at Leeds that everything possible was done by the doctors involved. There is no question about that, so it is not the problem. The problem concerns the facilities where treatment can be provided.

We have just heard that the Brook hospital was immensely important for many decades. For as long as I have represented Old Bexley and Sidcup, there have been attempts to close down the Brook hospital, all of which were successfully resisted until the present one. We now have a case where the lack of facilities at the Brook hospital meant a flight from Sidcup to Leeds. The Brook hospital was telephoned, but as it was closing down, no facilities were available.

I have said previously that the reports that were produced in recent years on the hospital service, and the distinguished people who wrote those reports, dealt with everything except the patients. They have centralised everything for the benefit of the medicos and the administrators, but the fact that a patient, instead of being able to go to the Brook hospital, had to be flown to Leeds never crossed their minds. That is the essence of the matter as to the proper provision of such facilities.

The chairman of the region stated that there were ample facilities in the London area, but he is quite wrong. His comment must raise doubts whether he is suitable as a regional chairman. He said that beds were available at the Royal Free hospital that night. That is also untrue. The Royal Free was telephoned, and replied that there were no beds available. It has now said that, had a more senior person telephoned the hospital, a bed might have been available.

What philosophy or approach is it to say that a bed is available only to a top person who is said to be influential, but not if those on duty at the hospital and carrying out the work there apply for a bed? That cannot possibly be tolerated as an approach to service in our hospital system.

I am sure that the Secretary of State and the Minister would not for a moment suggest that such an approach can continue. The report produced by Queen Mary's, Sidcup, was very full, and made a number of suggestions that have been touched on by my hon. Friend the Member for Chislehurst. Like him, I hope that they will receive full consideration in the Department. The Minister may not be able to say at the moment whether they are all acceptable, and I quite understand that.

We now have a new Secretary of State for Health, who may have a different approach from his predecessor. He and the Minister might want to look at those suggestions. As far as I am concerned, the fuller the consideration they get the better, because a great deal of thought has gone into them and into what should be said and done about them. There are practical propositions, but the fact remains that beds with the equipment to deal with neurological cases are not available in London, and they are the basic necessity.

I now come to the personal position of the doctor involved at Queen Mary's. The matter has been handled deplorably. The first investigation, which was hastily rushed, was carried out by the chairman of the region, and three lay people. Not one was a medical person. It was said that they consulted a doctor, but what his qualifications are we do not know. Was he familiar with all the problems of this particular field of medicine?

The committee produced its report, and the chairman went on television and said that Dr. Percy had not only been criticised but condemned for his mistreatment of this case. The chairman was followed by the Secretary of State herself, who also said on television that the doctor had been condemned.

What sort of justice is that? They were three lay people, not in any way experts or experienced in these matters. What is more, the doctor himself was not invited to appear before them to give his account of what happened or to attempt to justify his actions. I cannot consider that that is possibly justifiable in any organisation, be it private or public, but least of all public.

To behave in that way is totally unacceptable, and I hope that it will be made clear to them and to all the other regions that, if doctors are going to be criticised in this acute way, the investigations have to be properly handled. The committee should include people who are experienced, and the people being considered should be invited to give evidence, as fully as they like, about their own position. Nothing else is possibly justifiable.

There was a leak of the report of the region. How it happened or where it came from we do not know. It has been denied by the region, but it led to a press attack on the doctor, of the most extreme kind. As the case is coming before the courts, I do not propose to say any more about it. It would be improper on my part, even though the House of Commons has special arrangements.

As a result of the leak, Dr. Percy has, in the minds of millions of people in this country and throughout the English-speaking world, been condemned for his conduct in this case. We all know when that happens how difficult it is for any person to wipe out what has appeared in the press in the most extreme form. That was the consequence of the leak.

The inquiry that was made by Queen Mary's took longer and was thorough, and all those involved, in addition to Dr. Percy, were invited to give evidence to it. They did so. In addition to making recommendations about the general situation, it also commented fairly fully about the doctors involved.

What is very important is that the people who were working that night in Queen Mary's were also described fully. In paragraph 12, the report says:

"The Panel felt very confident that the team in place on the night in question were of a high calibre and sound experience. Indeed, ironically, if they had not been so experienced help may have been sought at an earlier stage."

There was no question about those who were in charge in the hospital. The senior doctor in charge had been at Queen Mary's for a comparatively short time, but was very experienced in the problems that arose that night. There was no criticism of him or of any of those who were working with him.

I am told that, altogether, a group of 15 hospital specialists worked on this case, all through the night, until they could get the RAF helicopter. My hon. Friend the Member for Chislehurst mentioned the administrative arrangements, which need to be improved, to get facilities for handling such cases. They did extraordinarily well to find out that, although other helicopters were not available, the RAF had one, and to get around the problems of paying the RAF, which, with limitations on Government expenditure in mind, wanted an assurance that it would get the cash quickly once the helicopter was used. There is room for improvement in the administrative arrangements as well.

We then come to the question of Dr. Percy and what he did. Let me quote again from the report:

"It was the view of the Enquiry Panel that there were no grounds for criticism of the clinical supervision of the patient"—

no grounds.

"However, once the call had been received by the consultant Orthopaedic Surgeon"—

Dr. Percy—

"at 0217hrs he could have taken greater responsibility in helping the junior staff on site possibly by attending the hospital or by telephoning neurosurgical colleagues in specialist centres when it became clear that Leeds was the only option available."

There are two things about that. First, the panel says that Dr. Percy could have taken greater responsibility in helping junior staff, possibly by attending the hospital. In fact, he did what the junior staff asked. He was absolutely certain that the staff were doing their job properly after they reported to him, and advised them about getting in touch with hospitals where beds would be available. He later advised them on how to solve the transport problem. In that respect, he had done what was required, and had done it properly.

The report continues:

"Nonetheless, at 0217hrs with a patient who clearly required specialist attention it is probably the case that the involvement of the consultant would not have made any difference to the clinical outcome."

Those are two statements. What grounds are there for censuring that doctor? Justice has gone badly astray, to the permanent damage of the doctor, who is highly skilled and respected, unless this is corrected—and it must be corrected, because it is entirely unjustifiable.

The report continues:

"With the benefit of hindsight the consultant has recognised that he could have telephoned the Brook consultant neurosurgeon at home to try to ease the administrative situation".

It is very doubtful whether he could have telephoned, but how he could have eased the administrative situation when the Government are determined to close down the whole show, I do not know.

"This reflection was positively welcomed by the panel." That endorses the fact that there were no grounds for censuring Dr. Percy.

The panel did not censure Dr. Percy. The fact that the chairman of the region went on television and announced that the doctor had been censured was entirely unjustifiable. The fact that the previous

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Secretary of State for Health also went on television and gave her view that the doctor had been justifiably censured was also completely unfounded.

I cannot over-emphasise the damage that it does to a person in a professional career to allow such things to be said. There is still confusion. I, among others, was assured by the hospital that the doctor had not been censured. I do not think that one can take the sentences that I have read from the report as censure. On the other hand, he has been told by the administrator that he has been censured. That, again, is entirely unsatisfactory. I ask the Minister and his advisers to get to the root of this and sort it out. We are relying on him to do so.

I want to say one word in general to the Minister, which perhaps he could pass on to the new Secretary of State, and it is this. The health service is doing a good job—there is no doubt about that—but it has one great drawback, which is that, publicly, it is always announced that more and more money is going to the health service. Yet the health service knows that, because of the rapid advance of medicine in so many different spheres, its need for finance is increasing faster than the amount that it receives. It is that which Ministers must take account of if there are to be proper arrangements for looking after the health of the British people.

Medicine has not stood still. It has probably advanced almost faster than any other scientific area, except nuclear and space. The fact that that is not acknowledged by Ministers is why people do not have confidence that Ministers know how to deal with the situation. That goes to the root of the question.

The same is also true of hospitals. Queen Mary's hospital has a tremendous reputation, and the result is that it can often deal with patients more quickly than neighbouring hospitals. We are then told that, if hospitals can deal with patients more quickly, they do not require so much money. The fact is that they require more money because they are dealing with more patients because they are dealing with them more quickly.

Could we please have a Secretary of State who recognises that, and perhaps mentions it occasionally, so that we know that he recognises it? That is essential to an understanding of the position of the health service.

The other aspect that I want to mention is that there are matters which are not satisfactory, such as the one that we have been discussing this morning. Will the Secretary of State please agree that these things are not satisfactory, and tell us how he will deal with such unsatisfactory aspects? Instead of merely emphasising again how much money is going into the health service and how much the Government want to maintain it, let us have a little quiet appreciation of the problems where they do exist, and an indication of how they will be dealt with for the benefit of the patients and of our constituents.

If the Secretary of State adopts that attitude, he will be far more successful in commending to the population—the voting population is getting closer and closer—the good things that the health service is doing, because our constituents will see that those things that are at the moment lacking are being satisfactorily looked at and dealt with.

10.52 am

Mr. Nicholas Brown (Newcastle upon Tyne, East): I count it a privilege to follow the right hon. Member for Old Bexley and Sidcup (Sir E. Heath), and, like the right hon. Gentleman, I congratulate the hon. Member for Chislehurst (Mr. Sims) on having secured it. It is an important debate. It is important to Mr. Murray's family and friends, to the clinicians who cared for Mr. Murray, and to other health service workers who tried to do their best for him. It is also important because it raises wider questions about the provision of intensive care beds in the capital and the capital's catchment area.

When the incident occurred, the Under-Secretary of State for Health, who is to reply to the debate, wrote to the hon. Member for Orpington (Mr. Horam) about the case. In his letter, he did something which was, frankly, deplorable. He said:

"The junior doctor in charge of his case at St. Mary's failed to persuade any of the other local neuroscience centres he contacted to admit him."

In other words, the letter sent by the Minister pins the blame firmly on the junior doctor.

Like the right hon. Member for Old Bexley and Sidcup, I deplore that scapegoating of health-care professionals. It is not justified. In any event, it is the job of the bed managers of hospitals to find beds. I cannot see how a senior doctor could find a bed that a junior doctor could not. A bed was either available or it was not.

That is the issue to which those who have responsibility for the health service should address themselves, rather than seeking to scapegoat health-care professionals. Like the right hon. Gentleman, I also deplore the appearance of the previous Secretary of State on television pontificating on who was guilty and who was not before the matter had been properly inquired into.

The Under-Secretary of State went on to say that he had already commissioned a study of intensive care provision. That will be an important study, and we look forward with interest to seeing the fruits of it. This is not the first time that the House has debated the provision and availability of intensive care beds in the NHS and, in particular, in the capital. There has been a spate of highly publicised incidents in which seriously ill or injured patients have been transported from one hospital to another in a desperate search for a bed in an intensive care unit. Mr. Murray's tragic case is one of the most dramatic, but it is not an isolated incident.

I well remember the Prime Minister being asked about this at Question Time. He defended the 200-mile journey by saying:

"I understand that Mr. Murray required a highly specialised form of treatment with which Leeds was particularly able to help".—[*Official Report*, 9 March 1995; Vol. 256, c. 454.]

It is incumbent on the Minister when he responds to say what the highly specialised form of treatment was—a form of treatment which apparently was not available in the capital. It is also incumbent on him to say how it was that Leeds was "particularly"—the Prime Minister's word—able to help. I look forward to the Minister's explanation, and I hope that it is as plausible as he can manage.

As my hon. Friend the Member for Woolwich (Mr. Austin-Walker) pointed out, incidents such as this have sparked a series of inquiries into the availability of intensive care in the NHS. It is right in a debate such as

this that we should ask what is the size of the problem. The Department of Health has already conducted a study entitled "Study of Provision of Intensive Care in England", dated 1993. It provides us with some useful facts and findings to guide our debate.

The Department of Health tells us, for example, that, in the United States in 1992, the proportion of moneys spent on intensive care was 10 per cent. of total health costs. In the United States, total health costs consume some 12.4 per cent. of GDP. In the United Kingdom, for the same year, we spent on intensive care 1 per cent. of health-care costs, and in this country health-care costs consume only 6 per cent. of GDP. That represents a twentyfold difference.

The report goes on to state:

"We found that considerable numbers of patients were denied the possibility of intensive care because the intensive care units were full."

It does not go on to say that perhaps, if a junior doctor had tried harder, or if a more senior doctor had asked for a bed, one would have been found. The Department's own study says that the intensive care units were full.

It goes on:

"In our study we have shown that intensive care provision in England based on numbers of staffed beds is unequal between regional health authorities."

Our debates on provision in London have highlighted that.

The hon. Member for Chislehurst referred to an exchange about whether there had been increased or decreased provision for the capital in recent times. I wrote to him after the exchange telling him where I obtained my figures. I obtained them from the Minister in answer to a parliamentary question. They relate to the two London regional health authorities, and show that, between 1992 and 1993, the number of beds fell by 12 to 724. In other words, the two London regional health authorities covering London and its immediate catchment area have lost provision.

A survey was carried out in January this year by consultants at St. George's hospital, which showed that, out of 35 hospitals within the M25, only eight to 10 intensive care unit beds were available. Between 30 and 40 of those beds were closed because of funding or staff shortages. That is a slice of life revealed by a survey conducted by consultants at St. George's.

A second survey was conducted in February 1995 of five cities—London, Birmingham, Manchester, Cardiff and Glasgow—which found that, of a theoretical total of 452 intensive care beds, only 376 were open. The figures that the Government like to use do not reveal the whole story..

The Government responded to the survey by admitting the existence of pressing problems in the provision of intensive care beds, especially in London; and, as the Minister's letter reveals, they have ordered an urgent review. Given all that Ministers have said about the Labour party's call for a review and a moratorium on closures, it is a bit rich for them to say now that they will conduct an urgent review of intensive care provision.

Despite the Government's commitment, only two months passed before the previous Secretary of State signed the warrant for the closure of Guy's hospital, and approved the ripping out of brand new and as yet unused intensive care equipment from a ward in Philip Harris house. The hon. Member for Chislehurst knows what an obscenity I consider that to be; we have debated these matters in the House before, and I do not suppose that his views differ much from mine.

It is fair to say that the provision of intensive care is very expensive. One bed costs about £1,500 for 24 hours, and health authorities and trusts think carefully before purchasing and providing more than is absolutely necessary. That apparent drive for efficiency, however, can have terrible, tragic results, especially in the event of an unexpected increase in demand.

The case that we are discussing suggests that one accident occasioned an unforeseen increase in demand in the capital on the day in question. What if four people had been injured in a traffic accident, rather than one? The tragedy would have been multiplied by four. If one bed was not available, four certainly were not.

It is clear to me—as it is to every observer, whether politically neutral or not—that there is a crisis in provision in the capital, and, indeed, in other urban areas. That crisis is money-driven, and driven by the Government's peculiar approach to the management of the national health service: savings are everything, and the provision of a front-line service must take second place.

The demand for intensive and emergency care cannot be entirely predictable, by its very nature. No one can predict when a serious traffic accident, for example, will occur—or, indeed, when a hospital operation will go wrong or something unexpected will be discovered. It is therefore essential to proper patient care to allow a reasonable margin of safety in the number of intensive care places that are funded and staffed.

As my hon. Friend the Member for Woolwich (Mr. Austin-Walker) pointed out, that margin of safety has not been in evidence in several instances. It is not good enough for Ministers to pass the responsibility on to local management, or, even more shamefully, to try to scapegoat individual clinicians.

As the right hon. Member for Wokingham (Mr. Redwood) has observed, it is the duty of Government to ensure that there are enough intensive care beds. If today's debate has highlighted that need as well as the tragic case of Mr. Murray, I hope that it will have done some good.

11.3 am

The Parliamentary Under-Secretary of State for Health (Mr. Tom Sackville): I congratulate my hon. Friend the Member for Chislehurst (Mr. Sims) on raising a matter that has caused considerable concern not only in his constituency but nationally as a result of the dramatic events on the night of 6-7 March. I welcome the presence of my right hon. Friend the Member for Old Bexley and Sidcup (Sir E. Heath), who has been involved through his discussions with the doctor concerned.

The Opposition Members who spoke have used the words "crisis" and "chaos" liberally, no doubt in an attempt to draw attention to what they were saying. There is no crisis, but an intelligent discussion is needed about the number of intensive care beds. For reasons that have already been given, a difficult balance must be struck between wasteful over-provision—the provision of resources that are then not used for much of the time—and the need to minimise the risk of incidents of the kind that we are discussing.

Both Opposition speakers refrained from specific discussion of the number of intensive care beds, and attempted to widen the argument to the question of the

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number of acute beds generally in the London area. The two issues may be conncected to some degree, but it is inappropriate to suggest that "a bed is a bed is a bed". As we all know, there is a world of difference between the question of how many acute beds there should be in London hospitals, and the specific issue of how many intensive care units there should be and how many staffed beds should be available in them.

Today's debate principally concerns the incidents that took place in March, and the lessons to be learned about the provision of neurosurgery and intensive care. Hon. Members discussed, in general terms, the sorry circumstances of the transfer from Sidcup to Leeds on the night of 6-7 March in a debate on 23 March. At that time, we were awaiting the report of an investigation of the case; I am now able to reveal the findings of that investigation, and the action that has been taken since. Before I do so, let me add my condolences to those that have already been extended to the Murray family in their bereavement.

Much has been made today of the treatment of Mr. Anthony Percy, the orthapaedic consultant at Queen Mary's hospital in Sidcup. I appreciate the reasons for which my right hon. Friend the Member for Old Bexley and Sidcup expressed concern, but the investigating panel felt that Mr. Percy—who was contacted at home at various times by the senior house officer in his attempts to find a bed for Mr. Murray—might have done more to help in what was a highly unusual and difficult situation for hospital staff.

It is a matter of record that the trust's chief executive wrote a private letter of censure to Mr. Percy, commenting on his contribution—although stressing that he had been responsible for no failure of clinical care, and that the question of disciplinary action did not arise.

My right hon. Friend the Member for Old Bexley and Sidcup suggested that that was inconsistent with another statement that the clinical outcome of the case would not have been affected, but it is not. No one has suggested that the clinical outcome was necessarily affected, however unsatisfactory it was that the patient had to be transported to Leeds. No one has suggested that that had a significant adverse effect on the patient—although I should be the last to say that what happened should have happened in that way: it is unacceptable that the patient had to be taken to Leeds.

Mr. Nicholas Brown: Will the Minister give way?

Mr. Sackville: No.

I well understand Mr. Percy's wish now to do all he can to put right the damage that he feels has been done to his reputation, and I very much regret the way in which the whole matter was reported.

Mr. Brown: Will the Minister give way?

Mr. Sackville: No. The hon. Gentleman had his chance to give his views; I have quite a long speech to make.

Given the possibility of legal proceedings, hon. Members will appreciate, as my right hon. Friend has said, that I cannot comment further on this matter. What I can categorically state is that there is no question of Mr. Percy being used as a scapegoat to deflect criticism of bed shortages in London.

Indeed, the investigation panel concluded that there was not a shortage of beds. Although the intensive care beds in neurosciences centres were certainly all very busy, the panel believed, on the evidence it had before it, that Mr. Murray could have been treated that night in London following his head injury. The key point is the management and use of beds and the co-ordination and communication between units, rather than the absolute number. That is the real issue, and I shall return to it.

Mr. Sims: My hon. Friend says that there is no question of there being any scapegoats in this matter, but has he read all the correspondence, in the course of which the chief executive says that he fears that scapegoats were required, the implication being that Mr. Percy is the scapegoat? Can my hon. Friend say whether Mr. Percy was censured or not? If so, why was he censured, and if there were no grounds for him being censured, why cannot that censure be withdrawn?

Mr. Sackville: I have stated the facts as I know them: a letter of censure was written to Mr. Percy by the hospital, critical of his performance. That is a matter of record.

Mr. Nicholas Brown: The Minister told the House that it was a private letter. If so, why did Ministers go on television and talk about it?

Mr. Sackville: We did so because it was very germane to the whole account of what happened on that night that the hospital was critical of Mr. Percy. There was enormous press interest in the matter. As I said, however, I regret the way in which some newspapers and media carried the story. I can understand why Mr. Percy feels that he has been unfairly treated.

Sir Edward Heath: That letter was sent some time after all this began, and I have quoted from the report of the hospital panel and its chairman of chancellors. Their conclusion was obviously different. The letter was sent by the administrator of the hospital. By what authority did he send that letter, when it was not justified by the whole panel of the hospital, with the chairman presiding?

Mr. Sackville: I understand that the letter was sent with the full knowledge of the chairman of the hospital, and that clearly the hospital was critical. The fact that that was perhaps blown up to a considerable extent by the media is regrettable, but it remains a matter of fact that, with the full knowledge and permission of the chairman, the hospital was critical of Mr. Percy.

Mr. Nicholas Brown: Will the Minister give way?

Mr. Sackville: No. I will carry on, because I have a lot to say about the action that has been taken since on intensive care beds.

On the situation during that night, the panel also concluded that the Royal Free hospital did have two intensive care beds available and could have taken the patient. I appreciate that that raises all sorts of queries, and I would like to make it clear that a call was made by Queen Mary's hospital, and the information was given to the doctor concerned that the Royal Free considered it clinically inappropriate to transport the patient across London. That was its opinion, and it was therefore asked to see whether some nearer facilities could be found.

As far as can be ascertained, there was no further contact after that. The Royal Free was not contacted again. That is why I say that there was a failure of communication and co-ordination, but it remains clear that two intensive care beds were available at the Royal Free. That much we know, and it is a matter of great regret that that was not followed up. I am not blaming anyone. The situation was confused and difficult. Later, a decision was therefore taken to transport the patient to Leeds.

The report makes it clear that, with the proper use of existing intensive care facilities and better co-ordination between hospitals, it should be possible to minimise the risk of inappropriate transfers of this sort occurring in the future.

Sir Edward Heath: Does it not seem to my hon. Friend to be quite extraordinary that, if those beds were available at the Royal Free, which it has since denied, and a doctor is on the other end of the telephone, the hospital should not say to him, "Yes, it would be much easier and more suitable for the patient if you could get him into the Brook, but if you can't get him into the Brook, then come back to us." It said nothing of the sort. It said to the doctors in Queen Mary's hospital, "Aren't the beds available? Try the Brook."

Mr. Sackville: That is not the information that I have, which is that the hospital said that beds were available, but advised that nearer facilities be sought. Unfortunately, that was not followed up. That is one of the factors that led to the inappropriate transfer of this patient to Leeds.

As the House already knows, the report calls—

Mr. Nicholas Brown: Will the Minister give way?

Mr. Sackville: No. I shall continue, and I have said what I understand to be the facts about what happened in relation to that telephone call.

The report calls for the establishment of stronger systems for the referral of patients to specialist neuroscience centres, better co-ordination of bed usage between neuroscience centres, and improved communication between specialist centres and their referring hospital. Those are important recommendations. All of them are being implemented, with some already in place and others being refined.

A key recommendation was that the London emergency bed service, about which my hon. Friend the Member for Chislehurst asked me earlier, should extend its service to cover intensive care beds. The new service began on 17 April, and is already proving to be of considerable assistance to units in helping to match supply and demand for intensive care services.

Trusts in the region were asked immediately to review their on-call protocols to make much clearer the involvement expected of staff out of hours.

All acute hospitals are required to make formal relationships with one of the specialist neuroscience centres. That is the centre that they will contact initially if they need to refer a patient for neurosurgery. Many hospitals in South Thames have already confirmed that they have such procedures in place.

For their part, the specialist neuroscience centres have introduced procedures to inform hospitals that normally refer patients to them of any severe pressure on beds and the alternative arrangements available. The burden of finding a bed is thus co-ordinated by the specialist centres. If the specialist centre cannot identify a place, a referral is made to the emergency bed service, which maintains a comprehensive information service on bed availability for all London hospitals.

The procedures that have been established should ensure that, when a patient needs access to a specialist centre, the referral can be organised efficiently and with optimal clinical effectiveness. I have gone into the matter at some length, and I want to make it clear to the House that, with good organisation, the things that occurred on that night should be avoided in future. I hope that some of those actions that have been taken will minimise the risk of such events recurring.

Health authorities are actively considering intensive care provision, and are working with their local hospitals to ensure that the referral procedures are in place. The two Thames regions are also holding detailed discussions to ensure a fully co-ordinated approach to forward planning and bed usage between their specialist neuroscience centres.

Mr. Murray's injuries were severe, and he required both neurosurgery and intensive care. An intensive care unit is a specialised hospital ward where critically ill patients with organ failure can receive treatment and monitoring, using invasive techniques and high-technology equipment, and benefit from the high staffing ratio—at least one to one—necessary to maintain adequate care. The number of available intensive care beds in England has risen by over 100 since 1989 to more than 2,600, and the number of qualified intensive care nurses has risen by 1,000 to 7,650. The working group that has been set up will produce guidelines on admittance and the better use of those beds.

Despite those increases in facilities, there were allegations of shortages long before the Murray case. To clarify the matter, we commissioned a report from Professor Klim MacPherson of the health promotion sciences unit at the London School of Hygiene and Tropical Medicine on the provision of intensive care services in England.

That thorough report showed that, overall, there was sufficient provision. However, it identified a number of problems and important issues. In particular, it showed that about one in six admissions to intensive care are considered by clinicians to be inappropriate, on the grounds that the patients are either too ill to have any reasonable chance of recovery, or not ill enough to require the level of specialist care that is provided in an intensive care unit.

On 7 February, the report was formally sent to all health authorities and trusts asking them to examine local provision carefully in the light of the findings and recommendations. Following the publication of the report, Ministers met leaders of the relevant professional bodies and, in the light of those discussions, a working group of professionals, to which I have just referred, is considering guidelines for admission and discharge. It is also looking at the relationship between intensive care units and other less intensive forms of care, such as high dependency units.

Given the resources that are required for an intensive care bed, it is vital that we get the balance right between meeting the need for both emergency and planned treatment requiring intensive care, and avoiding those facilities being under-used. As we have heard in the

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debate, that is a difficult balance. Getting it right remains a challenging priority for all those involved, given the fluctuations in demand for this highly specialised and intensive treatment.

The Government's policy, whether for London or for the rest of the country, is that it is for individual health authorities to plan the level of provision that is appropriate for their, areas, taking into account all factors of need, demand and the availability and desirability of other services.

Of particular interest to the debate is information on London. Professor MacPherson's report found that each of the Thames regions had more general intensive care beds per head of population than the national average. The former South East Thames region had the highest ratio in the country, with three beds per 100,000 of the population. The Department's information returns show that, in inner and outer London, the average number of available intensive care beds rose from 480 to 501 in the year to 1994.

The Government do not hold central information on the number of intensive care beds within different specialties. According to the London emergency beds service, there are currently 247 general adult intensive care beds in 35 hospitals within the 16 London health authorities. There are also 29 neuroscience intensive care beds, 50 paediatric intensive care beds and 186 beds in cardiothoracic units. In addition to these 512 beds are intensive care beds in renal, liver and other specialist units that are not presently covered by the emergency beds service.

To help to ensure the best use of available resources and to improve communication and co-ordination, the emergency beds service has extended its coverage to intensive care services, including neurosurgical intensive care in the Thames regions and surrounding area. It is operational 24 hours a day, and it contacts every intensive care unit in the Thames regions twice a day—or three times a day for those with specialist neurosurgery or paediatric beds—so as to update its information on bed availability. It is thus able to respond immediately to units that are seeking to transfer a patient because they have no spare capacity.

Initial experience of the emergency beds service is that it is proving very helpful. In the first 45 days of the service, there were 173 inquiries from 53 hospitals. On average, that is four a day, and there were as many as 13 on one day in April. The work of the service led to 112 patients being transferred to 54 destinations. Some 78 per cent. of the inquiries were for general intensive care and 14 per cent. were for neurosurgical intensive care.

The service is of considerable assistance to units in helping to match supply and demand for intensive care services. Similar services are being established in other parts of the country, with considerable benefit.

In the light of Professor MacPherson's finding that many intensive care beds are inappropriately used, no discussion of intensive care would be complete without considering acute bed provision. That the NHS generally will have fewer acute beds in 10 or 20 years' time is common ground. However, neither the Tomlinson report nor "Making London Better" includes a planned or target reduction in beds, and it is not Government policy to set such targets.

We have said that, in London, as in the rest of the country and in the world, more patients will be treated with fewer beds. Developments in modern health care, such as non-invasive diagnosis and treatment, and new and improved drug therapies, mean that, overall, the demand for beds is steadily falling. That trend is clear in Britain and overseas.

Mr. Nicholas Brown: Will the Minister give way?

Mr. Sackville: No. I should like to continue.

The common theme from many studies is the need for better management. That was the key message of a report on beds from the chief executives of the inner London health authorities. Considerable work is being done to develop neurosciences in the Thames regions and London. That is well in hand, and the transfer of neurosurgery from the Brook hospital is being phased to ensure the continuation of safe and effective services. My hon. Friend the Member for Chislehurst spoke about that transfer.

The new neurosurgery service, which was established at a cost of £7 million including magnetic resonance imaging facilities at the Ruskin wing of King's, will begin to take patients next month. It will be complemented in 1999 by the move of the neurology service from the Maudsley to King's, so that a comprehensive service will be available in one building. The Higher Education Funding Council is also investing in specialist research and teaching facilities. That will bring an academic dimension, and further complement the service at King's.

A clinically led review of neuroscience services in South Thames recently proposed that a new specialist neurosurgery unit should be located at St. George's hospital, Tooting. If health authorities agree to those proposals, the new centre will replace the outdated facilities at Atkinson Morley hospital and Hurstwood Park. Actions already taken and current considerations demonstrate the commitment to ensuring that London and South Thames in particular have the best possible pattern of neuroscience services.

The events of 6 and 7 March underline the urgency and the importance of the work that is already in hand to define and facilitate the best possible future pattern of neuroscience and intensive care facilities in the Thames regions. I hope that I have been able to demonstrate the Department's commitment to ensuring that everything possible is done to avoid any repetition of the unacceptable events of that night. I understand the concerns of my hon. Friend the Member for Chislehurst about what happened.

I am grateful to my right hon. Friend the Member for Old Bexley and Sidcup (Sir E. Heath) for his comments about the good work of the NHS. I agree that the many new technologies, new medicines and new ways of treating patients mean that there will be a demand for ever greater resources for the NHS. I hope that my right hon. Friend was not entirely correct when he said that Ministers have failed to acknowledge that.

I take it as read, just looking at the history of resources in the NHS, that the same pattern will continue; that we will need to find more and more resources to provide for ever greater demand for health as new ways of treating patients emerge. I think that many problems will exist. The problem of balancing the need for intensive care beds with supply will always exist. I hope that, as my right hon. Friend the Member for Old Bexley and Sidcup suggested, we will take a quiet and sensible approach to the matter, and that some of what I have said will convince him that we are doing just that.

Sir Edward Heath: Does my hon. Friend accept that, while we welcome the improvements that he has outlined and hope that they will be more effective than the present arrangements, I for one cannot accept the information that he has been given on Mr. Percy? As the matter is likely to come before the courts, he has heard far from the last of it.

Radioactive Waste

11.30 am

Mr. Clive Betts (Sheffield, Attercliffe): I want to raise today issues surrounding the disposal of radioactive waste from the nuclear industry and that which is generated by medical processes in local hospitals. I want to concentrate on low-level waste, which has been the subject of particular concern in my constituency during the past few months. I hope that the Government will reiterate some good news on that subject.

The Government published a consultation document on 14 August last year in which they reviewed nuclear waste and its disposal. Last week, a White Paper was issued in response to that consultation process. I want to place on record straight away that I welcome the Government's decision to abandon their initial intention, as expressed in the consultation document, to allow waste from the nuclear industry to be deposited on public refuse sites. This morning, I want to ask questions about how we have come to have this debate today and why it was necessary to consult on the issue in the first place.

I also intend to discuss some issues raised by the White Paper appertaining to low-level waste and its disposal—I want to seek some clarification from the Minister on that point. Last, I want to raise some issues surrounding the transportation of waste from the nuclear industry. My hon. Friend the Member for Nottingham, South (Mr. Simpson) hopes to raise his own concerns on transportation.

It goes without saying that the issue of radioactive waste is highly sensitive. It naturally worries the public. Even when the waste in question comes from local hospitals, and people can therefore see an obvious benefit from the processes that have produced it, local residents are worried about its disposal and treatment. Those public concerns are naturally heightened when the waste is from the nuclear industry. It does not take speeches from politicians at public meetings to produce that concern; it is natural. The issue has therefore to be handled with sensitivity and I shall today question whether the Government have not been guilty during the past few months of substantial insensitivity.

In my constituency, we have a large public refuse tip called Beighton tip. Only four or five years ago, planning permission was granted to extend it. Tipping will continue on the site for the next two to three years. It is surrounded by houses. A local school and a nature conservation area of reclaimed land are next door to it. Excellent work has been put in by volunteers from the local community who are committed to our natural environment.

The tip has naturally caused public disquiet. No one likes living next door to a refuse tip, but when proposals are made to dispose of radioactive waste from the nuclear industry at such a site, it is natural that residents become extremely alarmed. For many years, radioactive waste from local hospitals has been deposited on the site. Even that causes some concern. A local group of residents has formed the Hackenthorpe against the tip campaign and been vigilant in monitoring all matters in connection with the tip. They attend regular meetings with me, local councillors and council officers, at which they raise concerns about the depositing there of any radioactive waste whatever.

In Sheffield, we have considered the possibility of incinerating radioactive waste, but we were worried about emissions into the atmosphere. On balance, it was thought

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that depositing the waste in a controlled and authorised way at Beighton tip was probably the best way forward. However, there is a difference between dealing with radioactive waste from hospitals and dealing similarly with waste from the nuclear industry.

The first difference is that there are no problems of definition with waste from hospitals. It is all low-level waste. It is not a matter of where one draws the line. It is all the lowest level radioactive waste that is in need of disposal. That is not the case with waste from the nuclear industry which, as the Government's consultation document illustrates, comes in various grades from low level right the way through to high level, for which specific plans are made. There is also a difference in type, which I shall deal with later.

There is a scientific difference between waste from hospitals and waste from the nuclear industry. The Government's consultation document published in August last year therefore made chilling reading. I shall quote from the key points in the document. It says:

"Some of the waste from nuclear sites which is currently disposed of to Drigg could in principle be safely disposed of to local landfills, while still providing full radiological protection of the public, although each case would need to be carefully considered. Yet even though the charges for disposal at Drigg are high compared with landfill burial, the majority of the nuclear industry has not switched to alternative disposal routes, nor does the ability to charge for radioactive waste disposals seem to have generated interest from private landfill operators."

It is probably not surprising that people are not queueing up to take the material, but the document expresses some surprise that, despite the willingness of the nuclear industry to pay, even private operators have not been willing to take the material on board and put it on private sites.

The document continues:

"This current practice creates needless pressure on the disposal capacity at Drigg. The Government therefore believes that there would be advantage in encouraging waste producers to make greater use of controlled burial. Views are invited on this, as well as on the methods by which it might be achieved."

That was the key part of the proposal in the consultation document last August. It was some time before there was public recognition that the proposal was around at all. Indeed, the public profile of the issue was raised only when Greenpeace issued a press release and there followed an article in the *Observer*.

It is worth asking questions at this stage about why the idea was put out to consultation. I accept that it was a suggestion for consultation, but still it was raised. Once the public read about a Government proposal, even though the Government keep on saying that it is merely a matter for consultation, they become worried that what is proposed will happen—that waste from the nuclear industry will appear on their doorsteps. They know that, for all the security measures that are taken on refuse tips, children go and play on them and that, although they should not, people have motorbike scrambles on them. People can put up all the warning signs and fences in the world, but they will not completely prevent public access to such sites. People therefore become extremely concerned.

It is even more worrying that the proposal seems to have been brought forward for two reasons. The words that I have just read out gave the game away. First, the Government were concerned about the cost of using Drigg and were considering burial at public refuse sites as a cheaper option—it was about saving money. Secondly, they were looking to save money by considering Drigg for the disposal of intermediate-level waste, which would be cheaper than the way in which it is currently disposed of.

There is also the complication of reprocessing waste from nuclear industries in other countries. The Government decided not to return the totality of that waste to other countries but have chosen, for cheapness of transportation, to send back high-level waste in concentrated form and leave substantial volumes of low-level waste for disposal in this country. That presents the Government with the problem of how to dispose of the low-level waste. Given the capacity problems at Drigg, and the pressure it will be under if it is also to be used for intermediate waste, there will be a difficulty not merely on cost but on where else the waste can be disposed of.

It is worrying that the Government brought forward the proposals because of their policy decisions on reprocessing waste from other countries and because of considerations to do with cheapness. Burial on refuse sites was thought to be an easy, cheap and convenient way out of their difficulties.

It was also unfortunate that the Government chose to raise such a sensitive matter without bringing it more forcibly to public attention. Until the *Observer* story, the proposal had gone largely unnoticed. It was hidden away in a few paragraphs towards the end of a very large document which mainly dealt with other grades of waste from the nuclear industry. The Government made no attempt to highlight their proposals. That shows that, while it was a consultation document in name, little effort was made to activate the consultation process and bring it to the attention of people who might want to have a say—not least ordinary members of the public such as my constituents who live around the Beighton tip.

The Government also said that there was not a list of tips into which they were proposing to put waste from the nuclear industry. In one sense, that was technically correct, because paragraph 126 of the report mentioned that authorisations were necessary. It states:

"Disposals are permitted only when the waste containment characteristics and performance of the site have been fully assessed".

I accept that, even if the Government had carried on with this proposal and had come to a different conclusion the day after the White Paper was announced, waste from the nuclear industry would not have been deposited on tips without careful consideration of their containment characteristics. However, the fact is that the document listed municipal refuse sites that would be considered for the disposal of nuclear waste—nuclear waste would not be disposed of at those sites but they would be considered for it.

The existence of a list heightens public concern. People know that, even if the tip they live near has not been designated as a disposal site, it is on the list for consideration to be so designated. The public naturally react. They believe that Government lists have some validity and that proposals that the Government make are likely to come to fruition.

It is not as though the Government could not have foreseen what would happen. Indeed, I find it staggering that the Government felt that they did not have to offer

any extra explanation or to contact local authorities and ask for views on the proposals. They must have realised what the reaction would be because there was a parallel case in the mid 1980s. I am sure that the Minister is aware of that. He will want to say what lessons were learnt from the row in the 1980s when the Government climbed down on similar proposals in a consultation document.

In the mid-1980s, the Government brought forward proposals to create disposal sites for low-level radioactive waste from the nuclear industry at Fulbeck, South Killinghome, Elstow and Bradwell. That led to a major campaign by bodies such as Greenpeace and the county councils involved—Humberside, Bedfordshire and Essex. It was a cross-party campaign. I do not think that anyone in the councils supported the proposals, whatever party they came from.

The issues raised in that campaign were the same as those that have been raised in the past few months: the definition of low-level nuclear waste, the fact that the definition might be changed at some stage because it is a quantitative definition and quantities can be changed and the concern that, once a site had been established for low-level waste, a policy change could mean that intermediate waste could be deposited there too, especially as the Government were thinking of doing that at Drigg. There did not seem to be an overall policy for coping with the capacity difficulties of the nuclear industry. Those issues were raised then and they are pertinent to this debate.

In 1987, the Government withdrew the proposals. I am sure that the withdrawal of those proposals in, I think, May of that year had nothing to do with the general election that was about to take place; or with the fact that three of the four Members of Parliament for the constituencies involved happened to include the Government Chief Whip and Under-Secretaries of State at the Home Office and the Department of Health. All of them spoke out against the proposals.

The press reports at the time, and the undue haste with which the then Secretary of State, Nicholas Ridley, rushed the announcement through the Commons on a Friday morning, interrupting private Members' business, suggest that the Government had an eye on the electorate's views. Ultimately, they gave in to public pressure. *The Times* said:

"Public action led to nuclear waste ruling, says Nirex".

Nirex, which was involved in evaluating the sites, had no doubt at all. Mr. John Baker, the chairman of Nirex said that it was public opposition to the schemes which stopped them.

The Government should therefore not have been surprised, when they brought forward proposals in 1994, that there was a public reaction. There had been a reaction in the 1980s. The public affected by all four sites that had been designated to receive low-level waste reacted. County councils, Greenpeace and local Members of Parliament reacted. In the end, the Government reacted too, and climbed down. That incident is clearly a parallel.

It would be interesting to know to what extent the Government took account of what happened in the 1980s before they put their proposals in the consultation document. It seems inconceivable, given what happened in the 1980s, that the Government could have been unaware of public opposition and failed to take account of it. Why, then, did they put forward a proposal this year only to withdraw it a few months later, again on the grounds of public opposition? That is the reason that the Government have given for withdrawing the proposals in their consultation document.

When challenged about the consultation document, the Government argued that it was not too sinister because they were not proposing—with one minor exception, as was explained to me in a written answer—to change the law. The law as it currently stands allows for the disposal of radioactive waste both from medical processes and from the nuclear industry, providing, of course, that proper authorisation from Her Majesty's inspectors is given for disposal on a site. Obviously, the site has to be properly inspected and recognised as having the necessary containment characteristics.

The Government said that what was proposed was not a big deal as they were not changing the legislation—but they were changing policy. Although low-level waste from the nuclear industry could legally be deposited on public landfill sites, it had not happened, as the consultation document recognises, so the Government were in effect proposing a change of policy.

In many ways, that change of policy was more worrying and frightening than the change of policy proposed in the mid-1980s when the campaign was run on the four sites that I mentioned. Those four sites were to be specifically designated for low-level waste from the nuclear industry. The change of policy proposed in the consultation document in 1994 was not to create four new specifically designed sites but to deposit the waste on public refuse tips.

If because of public opposition the Government withdrew a proposal to create four specifically designated sites in the 1980s, did they not think that the public might be even more worried about proposals to put such waste on refuse tips on which their children could play? It is incomprehensible that the Government could come up with such a proposal without realising the likelihood of public outrage.

As a Member of Parliament, I received letters and telephone calls immediately. People asked whether the proposal was real. When I said yes, they said that the Government must be off their head. No one could regard the proposal as serious. A large public meeting in the constituency was attended by 200 people. We did not merely berate the proposal but invited people from Her Majesty's inspectorate of pollution and the hospitals, environmental health officers and people from the South Yorkshire waste regulation unit. We ensured that local people had all the technical information that they needed to form an opinion. Needless to say, at the end of the meeting, no one thought that the proposal was a good idea.

The local residents who were part of the Hackenthorpe against the tip campaign were outraged and made their views clear, as did Greenpeace. Essentially, however, it was ordinary local people who said that they did not want their children brought up next to a tip where nuclear waste was deposited.

The Government can give all the assurances in the world that nuclear waste can be deposited only on tips that have a proper clay base which is not permeable so that there should be no leakage into the local water courses. However, at Beighton tip, which happens to have a clay base and where thorough inspections were carried out and advice given by the National Rivers Authority

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and the waste regulation unit before it was used for its current purposes, there have been unforeseen leakages of leachate into the Shirebrook. The city council has been fined £5,000 for allowing those leakages to occur. Even with proper planning, such problems occur. Local residents were aware of the risks and asked how they could be absolutely certain that leaks would not occur if nuclear waste was put on their local tip.

Residents asked whether, as the tip was a council tip, the council could refuse to accept such waste. The answer came back that the council could not refuse. Although the council has to be consulted, an authorisation from HMIP means that the council cannot refuse to take radioactive waste even though it owns the tip. That is currently the case with waste from local hospitals and would be the case with nuclear waste if the change of policy had come about. In a written answer, the former Minister for the Environment and Countryside said:

"Under section 18 of the Radioactive Substances Act 1983, local authorities have a duty to accept radioactive waste for controlled burial if the regulatory bodies authorise disposal to sites provided by them. The consultation document contained no proposals to alter or extend that duty."—[*Official Report*, 6 December 1994; Vol. 251, c. *132.*]

Officers of Sheffield city council attended the meeting and gave professional advice and made it clear that they were opposed to the proposal. However, as the law stands—and with no proposal to alter it—the council might well have been compelled to take waste had the Government's proposals gone ahead.

There are, of course, some private tips in the South Yorkshire area which could have agreed to take the waste. In that case, the council would have no statutory right even to be consulted on behalf of the local populace. With the establishment of the Environment Agency, the waste regulation unit's remit in these matters will be removed, so local opinion will not be reflected through the democratic process.

At the meeting, someone said that waste from the hospital was already deposited on the tip and asked what difference additional waste would make, as it would all be the same low-level waste. I am not a scientist, but I understand that such matters are now included in general certificate of secondary education courses. There are apparently differences in terms of the isotopes involved in the medical processes that create radioactive waste.

David Purchon, the director of environmental health for whom I have the highest professional regard, explained at the meeting that waste including alpha-emitters has a low penetrative quality and that one can walk on it without being exposed to radioactivity. In fact, one has to swallow it for it to have any effect, which is wholly understandable in view of the medical processes that create it.

The difference is that waste from the nuclear industry includes gamma and beta-emitters. Waste may be classified as low-level waste, belong to the same category as hospital waste and have the same energy, but when alpha and beta-emitters are involved, the waste has a different penetrative quality. Putting it on a public refuse site poses a greater risk to the public as there is a possibility of radioactive penetration such as would not be possible with the same grade of waste from medical processes. All that was explained at the meeting. It might have slightly reassured people about the medical waste being deposited on the site, but it provided no reassurance at all about the possibility of industrial nuclear waste arriving on their doorstep. Indeed, people felt even more compelled to mount a campaign.

We had a very good campaign. Local television reporters and journalists attended the meeting and we had a great deal of local coverage. There was a silent vigil on site which was attended by many local residents, and a petition of 10,000 signatures was collected. Those involved were ordinary people who probably did not understand all the scientific issues but who were very worried about what they regarded as a threat to their environment. We were also supported by Sheffield city council and we welcomed the resolution that it passed. We received support from Greenpeace, and I congratulate that organisation on raising the issue in the first place and on its campaigning.

The campaign also received tremendous support from the local tenants' federation in Sheffield, which collected many of the signatures for the petition. People from the federation talked to ordinary people and enabled them to express their concern through the petition. I pay tribute in particular to Olive Caterer from the federation for her energy and enthusiasm. The Hackenthorpe against the tip campaign might have been voluble in its criticism, but it worked hard. Its chair, Irene Dawtry, spoke at meetings and to the media and kept local residents informed of what was happening. I congratulate all the individuals and organisations involved. The fact that they managed to collect 10,000 signatures is a tribute to their energy and enthusiasm, and evidence of their burning desire to stop a wrong being committed against their community.

I conclude by asking the Minister some questions. My constituents are delighted with the outcome of the consultation process, in that their campaign was successful and represents a victory for the ordinary people of Sheffield. It is good that the Government listened to them, but why on earth was the proposal included in the consultation process in the first place?

Why on earth did the Government make such a suggestion, having experienced the public opposition to the proposal in the 1980s? It is good that public opinion has been listened to and that the campaign mounted by my constituents has succeeded, but why was it necessary to upset and concern them?

Will the Government give a commitment that this is the last time that they will bring forward any such proposal? Will they confirm that they are not just saying that, for the time being, they do not have any ideas about dumping waste from the nuclear industry on public refuse sites?

My hon. Friend the Member for Holborn and St. Pancras (Mr. Dobson) kindly met a delegation of my constituents who came down with a large part of the petition. In his own direct way, he spoke for all of them when he simply said that the proposals were daft and should never have been put forward. He made it very clear that when the Labour party forms the next Government, it will not ever contemplate such proposals. I hope that the Minister will give a similar commitment on behalf of his party.

Will the Minister indicate why the Government, in recognising that such dumping is a stupid idea, are not prepared to change the law? At present, it is legally possible for waste from the nuclear industry to be put on public refuse tips. The Government are saying that it is not their policy at this stage to do so, so why do they not relieve public concern and change the law accordingly?

I have a few more questions about waste from local hospitals. I have explained that I understand the differences between hospital and nuclear waste. The public recognise that waste from hospitals is not merely different in type, but that it is all low level, and that they feel some sense of obligation and responsibility for it in their community. One concern is about the Government's indication that, in future, only local authority tips will be compelled to take waste from such processes. There will not be any compulsion to do so on private tips or on tips owned by local authority waste disposal companies.

Given that most local authority tips are being transferred to LAWDAC ownership, how many tips will remain under the ownership of local authorities in respect of which compulsion can be used? Will local authority tips left under local authority control have to take more such waste because other tips will not take it? If there is not a clear answer to that question, my constituents will become concerned.

Will the Minister also explain why, as the White Paper indicates, local authorities will be consulted on all proposals about the authorised disposal of radioactive waste, but will not have a statutory right to be consulted on proposals to put waste on private tips? Why does not the Minister give them such a statutory right? If the Government accept that it is right that they should be consulted, why should not they make such provision statutory?

I do not know whether it is a technical slip in the White Paper, but while the Government accept that there should be consultation about the disposal of radioactive waste from hospitals on private tips, they do not indicate that there should be consultation on such waste being disposed on tips owned by LAWDACs. I do not know whether that is a mere omission and that, in fact, the Government intend to consult local authorities in such cases. I recognise that local authorities are entitled to—I think—20 per cent. of directorial representation on LAWDACs, but as local authority members or officers are to sit on a LAWDAC as directors, and are not there simply to report back to their authorities, and in view of their responsibilities as company directors, I should have thought that direct consultation with local authorities would be in order.

Finally, I shall raise the issue of transportation of nuclear waste, about which my hon. Friend the Member for Nottingham, South will shortly provide more detail. I spoke to the chief fire officer in South Yorkshire about the matter. There has been much correspondence from South Yorkshire on the transportation of nuclear weapons—there has also been a lot about nuclear waste.

The Government feel no obligation or need to advise fire authorities in advance that waste will be moving through their areas. The police are told, but the fire authorities are not, even though fire authority staff would have to turn up to deal with any accident or emergency. Certainly in the case of nuclear waste, a description of the material being carried appears on the outside of the vehicle transporting it, yet no advance warning is given to enable fire services to prepare.

I also understand that there is no capacity for joint training between the nuclear industry and local fire services so as to form a mutual understanding of the materials involved and the sort of joint processes that might have to be conducted if an emergency or accident occurred. That is very worrying. I do not understand why the Government are intent on keeping the matter secret. Why cannot they be more open about it? Why cannot they trust the fire services, which have an important—indeed, essential—and often dangerous job to do on behalf of the public? Why cannot the Government give advance warning, facilitate joint training and enable greater public safety in such matters?

In conclusion, I want to emphasise that, for my constituents, this is a day for celebration. It is a day for congratulating the Government on withdrawing proposals that should not have been made in the first place and for congratulating the people of Sheffield, especially in the Attercliffe constituency, on a great public campaign to stop waste from the nuclear industry being dumped on Beighton tip. Many people who have joined in the campaign with enthusiasm deserve great credit.

I hope that it is also a day for clarification of the issues concerning medical waste and a day for obtaining further assurances on the legalities of disposing of waste from the nuclear industry. I also hope that it is a day on which a clear commitment will be made—that we will never again debate this matter in the House because we will never again worry people, especially my constituents, that nuclear waste will appear on their doorstep, or on their local refuse tip, because never again will any Government propose a policy that gives rise to such public concern.

12.7 pm

Mr. Alan Simpson (Nottingham, South): I am very pleased that my hon. Friend the Member for Sheffield, Attercliffe (Mr. Betts) has obtained this debate. I share many of his concerns about the disposal of nuclear waste—concerns which are likely only to increase as we have to face the decommissioning of nuclear power stations as an issue of today rather than a distant prospect for tomorrow. I shall concentrate on the transportation of nuclear materials, which has an equally practical focus.

In the early hours of 26 June, a lorry going through part of my constituency was involved in an accident at a roundabout. As a result, a concrete bunker containing nuclear materials was thrown off the lorry and split open. The canisters inside, containing caesium and beryllium, were deposited on to the road. The good news is that the lead casing of those canisters was not fractured and the risk to the public turned out to be minimal. If the canisters had been fractured, we would have been talking about a very different matter. I understand that those substances would in a very short time have a catastrophic effect on the nervous system of anyone exposed to them.

The roads concerned were closed for about four hours while the wreckage was cleared and tests were conducted for the prospect of any leakage. It turned out that that lorry movement was just one of 600,000 vehicle movements around the United Kingdom every year. The lorry was not delivering nuclear waste but nuclear materials for use on an oil rig and was travelling from Morecambe to Great Yarmouth. What worried me was that as we tried to explore the public safety implications of such traffic movements the matter became more of a farce than an accident.

The shift from accident to absurdity was exposed by journalists on the *Nottingham Evening Post*, to whom I am particularly grateful, when they tried to find out who knew what about the contents of the containers being transported and the risk levels to which—potentially—members of the

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public were exposed. The farcical element started when the journalists contacted the Department of Transport. The response of the officials there was that such matters had nothing to do with them but were the responsibility of the Health and Safety Executive. But the HSE said no, such matters were the responsibility of the police and the Department of Transport. We then turned to the Central Office of Information and were told that there was a joint responsibility between the Health and Safety Executive and the Department of Transport. When we went back to the HSE, however, the people there said the matter was not their responsibility. They did not accept responsibility for the regulations and told us to go back to the Department of Transport to clarify what the regulations were. Eventually, when we got in touch with the HSE yet again, it agreed that the regulations were its responsibility after all and said that it would look into the matter.

I was extremely alarmed when HSE staff said that under the existing regulations there was no obligation to notify the HSE, the Department of Transport, the emergency services or the local authority about the movement of nuclear materials. My alarm was compounded when I contacted the people who, over many years, I had come to expect to be responsible at a local level for the discharge of duties in relation to public safety and the transport of goods in the local environment.

I contacted the chair of the public protection committee and the emergency planning officer for Nottinghamshire. The emergency planning officer confirmed to me in writing:

"The Police are only notified of military consignments, none of the emergency services are notified of civilian movements . . . safe routes and the volume of traffic is not known."

The chair of the public protection committee replied to the county council which, understandably, was as concerned as local residents, in the following words:

"Neither I, nor the Emergency Services are made aware of the movement of radioactive materials through our county. Since the use of radioactive isotopes is relatively commonplace in our hospitals, universities and industry, it is to be assumed that they are transported from time to time. These materials that are less hazardous concern me less than the intermediate and high level radioactive substances that can be and I am sure are transported through our county. The storage and use of such materials is controlled by HM Inspectorate of Pollution under the Radioactive Substances Act 1960 and the Fire and Rescue Service is notified of the nature and location of such sources. However . . . they have no knowledge of where or when radioactive material is being transported."

The Government consultative document on the transport by road of radioactive materials must be welcomed, but it still focuses on only three main areas—packaging, labelling and driver training. That misses out a whole series of areas which, understandably, public authorities would like clarified. Many terms in the consultative document are obscure and unhelpful, and both my local authority and the Association of County Councils have shared those concerns in previous representations that they have made.

The document uses terms such as "a suitable container" without defining what would be suitable to contain radioactive materials. The document also mentions a duty for the carrier to "take reasonable care", but nowhere is there a code of conduct defining reasonable care. There is a clear recognition of the importance of testing containers for suitability and strength at the beginning of their lives, but no requirement to test for wear and tear during the lifetime of their use. We contacted the HSE to ask what the word "suitable" meant, and the spokesman replied that he did not know but would do his best to find out. As yet we have received no explanation.

The document mentions driver training but says nothing about carrier licensing. It worries me to realise that there is no licensing requirement for any vehicle weighing less than 3.5 tonnes. The requirement is simply a notion of some sort of training, which is not monitored. The danger is that if that is not more tightly regulated it could turn out to be a cowboys' charter and the lads who offer to tarmac our path one day could be trundling radioactive materials past our house the next day, having invested £200 or £300 to make the signs for their vehicle but without meeting any of the standards that we should demand in a system for the movement of radioactive materials with licensing at its core.

The consultation document still does not mention an obligation to notify anyone about the frequency or direction of road transport movements. I fail to understand why that should be so. It does not seem to me a party political point at all. I can see no interest on either side of the House that would be served by the lack of a requirement to notify public authorities and especially the emergency services of the movement of radioactive materials on public roads.

In the context not only of today's 600,000 road traffic movements but of the near certainty that that number will increase, a publicly notified and regulated set of procedures to govern the terms and frequency of such movements is essential. We need a statutory framework, and it should consist of four elements.

First, there must be prior notification of the police, the fire services and other emergency services which would be involved in clearing up an accident involving the transport of nuclear materials. They need to know in advance what plans there are for such movements. Secondly, there should be a requirement for prior consultations with the public bodies through whose areas the loads would be transported. That is a simple matter of common sense.

If Nottinghamshire county council had been asked for its suggestions about the safest and most acceptable routes along which to move radioactive materials through the county, it would have provided that information—and I doubt whether it would have directed such loads through the built-up urban areas that the lorry was passing on the night of 26 June. It would have suggested a route avoiding densely populated areas rather than passing through them simply because that might be a few minutes quicker.

The county council would also have been able to offer, through the police, a form of guided transport through the county, or through the city of Nottingham. That could be done if there were an obligation to notify in advance. At present, it cannot be done because no such obligation exists. I cannot see any suggested framework being workable or acceptable to the public if it is not attached to a strict licensing system for the carriers of nuclear materials. It is not enough to know where the load will end up, although I accept that there are huge issues about where the load will end up and how it is to be disposed. There should be public concern, and concern among Members of Parliament, about the quality, reputation and experience of carriers involved in the transport of radioactive materials.

Finally, a point must be changed in relation to the wording of the consultative document about public risk. As it stands, the document refers only to environmental damage. There are experienced people in this House, around the country and internationally who understand that measuring public damage from exposure to radioactive materials in many cases comes many years after the damage has been done, so it is singularly unhelpful to have that as a benchmark of the Government's consultative document. It would be far better to build in a requirement which defines the prohibition of unauthorised releases of radioactive materials into the environment. That recommendation has been made by public authorities around the country to the Minister, and I hope that he will take it on board.

Accidents such as the one which occurred at Nottingham should not happen, but in a country where we will face an increasing volume of road traffic movements involving radioactive materials we must accept that there is a risk that we cannot entirely eliminate. We must establish an ethical basis for allowing such movements to take place, and we must build two things into the system. First, the public and local authorities have a right to know about movements taking place through the environment which are potentially affecting their lives. Secondly, we need a legal framework which offers the highest standards of public protection at a reasonable cost. We are not talking about something that is likely to cost a great deal, but about a framework that could change the process from a clandestine, inadequate and ill-informed one into one that is open and above board.

The House must ensure that a fully informed response mechanism exists to deal with accidents involving the transportation of nuclear waste. That, rather than a farce, is what the public have a right to expect of this House. We do not have the right to expose the public to unnecessary risks because we will not provide a regulatory framework. Nor have we the right to expose members of the emergency services to unnecessary risks by not telling them in advance the nature and contents of loads, the frequency of traffic movements and the times and directions of the loads being transported. A small regulatory requirement could produce a huge benefit to the public, and that is the duty that the House must meet.

12.23 pm

Mr. Michael Stephen (Shoreham): Whether we like it or not, we live in the nuclear age. The genie cannot be put back in the bottle and the discoveries of nuclear scientists cannot be undiscovered. Nor should they, as the peaceful uses of nuclear energy have bestowed enormous benefits upon mankind, especially in the generation of electrical energy, upon which all modern societies depend for the health, welfare and well-being of their citizens.

We must do everything we can to save energy and use it most efficiently, but there will always be a need for large-scale generation. The generation of electricity by nuclear means is enormously safe and does not create carbon dioxide or emissions of nitrous oxide which, as we all know, are damaging to the environment. The safety record of the nuclear industry in this country is second to none.

When nuclear materials are used, waste is created, and proper facilities must be provided for the disposal of that waste. Much of the low-level nuclear waste that has been referred to by the hon. Members for Sheffield, Attercliffe (Mr. Betts) and for Nottingham, South (Mr. Simpson) is generated by hospitals. While there is always a danger in handling nuclear materials, the benefits in terms of the lives saved and prolonged and the improvements in the quality of life from the use of nuclear materials in our hospitals outweigh the dangers that those materials pose to society.

This is an emotive issue. Whenever one uses the word "nuclear", the emotional level is raised. That is possibly because of the connotations of nuclear weapons and explosions and the terrible suffering caused in Hiroshima and Nagasaki, not only by the explosions but by the subsequent radiation. Organisations such as Greenpeace use that emotion to the best possible advantage in pursuit of their case.

Greenpeace has established such a position in the world that, to some people, everything that Greenpeace says is right while everything that the Government say is wrong. I do not think that that is the case. Greenpeace has a role to play in bringing our attention to environmental dangers, but it was wrong about the incidence of cancer in the Sellafield area and about the emission of dioxins from high-temperature incineration, and it grossly exaggerated the environmental effects of the Braer disaster. Greenpeace is not always right.

I am concerned that organisations such as Greenpeace are flourishing in the area of what is called direct action, where a group of people decide that something shall or shall not be done, bypass the democratic process and seek to impose their will on their fellow citizens. That is not the way to proceed in a democratic society. The place in this country where decisions must be made affecting all of our citizens is here in this House. We do not live in the age of the suffragettes or the Tolpuddle martyrs, when thousands of our fellow citizens were not represented. Decisions affecting our fellow citizens must be made in this House after a full debate in which the House can hear all points of view from Members representing all sections of the community.

I have no particular knowledge of the tip to which the hon. Member for Attercliffe referred, but I was a member of Essex county council at the time of Bradwell, so I have some experience of the issues involved. Low-level waste can be a particularly emotional issue, particularly when it is planned to dispose of it not far from an area of human habitation. But we must not get carried away by emotion or by the "not in my backyard" factor. We are all politicians, and so are local councillors. It is all too easy to jump on to an emotional bandwagon to get oneself elected or re-elected or to promote the interests of one's political party. We must resist those temptations.

We are here as the representatives of the people of this country as a whole, and we must make decisions in the interests of those people and not in the interests of people who happen to live in a particular place at a particular time in history. We have a heavy responsibility not to allow people to believe, as many do today, that it is possible to live in a risk-free society. It is not. We never have lived in a risk-free society, and we never will. Those who believe that death is optional should think again and realise that we live in a real world.

It is easy for us to regulate. Opposition Members have suggested ways in which we might fill 10 or a dozen more pages of the statute book. But we must resist the temptation to regulate and impose unjustifiable burdens on the community and businesses that serve the

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community. Opposition Members have not pointed to a single incident in which a member of the public's health or safety has been damaged. Given the many hundreds of thousands of movements of nuclear materials around the country, those responsible for that transportation have not demonstrated a bad record.

I am pleased that the nuclear industry has been given the freedom of going into the private sector. I am sure that it will use that freedom with skill and responsibility. The export potential is enormous. I am sure that, if the nuclear installations at Chernobyl had been designed and built by British engineers and operated to British safety standards, the problems that occurred there would not have arisen.

The disposal of nuclear waste is a world problem and those countries which are best equipped to deal with it safely and securely have a responsibility to mankind to perform that function. Safety is paramount in the nuclear industry, as everyone who works in the industry knows. Nuclear materials must be handled to the highest standards and, wherever possible, children must not be exposed to them. Scientists well understand the difference between alpha, gamma and beta emissions, and regulations must be made accordingly. Of course we must have joint training and, within reason, notification, but we must have regard to the costs imposed on the organisations concerned of excessive notification, and we must have clear lines of responsibility when something goes wrong.

Britain can be proud of its nuclear industry and the skill and inventive genius of the men and women who work in it, who have made and will continue to make a vital contribution to the well-being of mankind throughout the world.

12.31 pm

Dr. Robert Spink (Castle Point): The transport and management of nuclear materials, where it is within the control of, for instance, British Nuclear Fuels Ltd., is conducted in a professional and responsible manner. That needs to be put on the record in view of some of the scaremongering comments made by Opposition Members.

As time is short, I shall concentrate on just one issue: waste substitution and BNFL's part in it. BNFL first proposed waste substitution to the Government in 1988. Since then, there has been considerable consultation, particularly that on the thermal oxide reprocessing plant, which was carried out by the Department of the Environment in 1993. The most recent consultation was carried out this year during the Government's review of radioactive waste management in the United Kingdom, when more than 250 representations were received from individual organisations.

This issue has therefore been well aired and carefully considered by the Government, who have now endorsed the waste substitution philosophy as the agreed, sensible and commonsense approach to returning nuclear waste to overseas customers. I welcome the fact that, in their White Paper on radioactive waste management policy, the Government fully accept the principle of waste substitution and integrate BNFL's proposals within their nuclear waste policy. So BNFL can now engage in waste substitution for intermediate and low-level waste. It can have detailed discussions with customers about returning their waste in the most effective, practical and safe manner.

It might help if I outline some of the considerations surrounding waste substitution. The radioactivity contained within overseas customers' low and intermediate-level waste, which would be retained in the UK, will never be greater than the extra high-level waste that would be returned to customers. The required number of nuclear waste shipments overseas, which means shipments in this country as well, would therefore be cut from 1,000 to just 100—that is, decimated. That also saves the burning of 1.25 million tonnes of fuel oil, which would yield considerable improvements in terms of safety and economics. Although that is self-evident, let me spell out some of those improvements.

It would reduce transport and handling costs by several hundred million pounds and put BNFL in a strong position to win the £2 billion to £4 billion-worth of further export business that it seeks. Without substitution, BNFL would be at a considerable competitive disadvantage, particularly to Cogema, the French nuclear reprocessor. If BNFL were to get the business, as I hope it does—all hon. Members should hope the same—that would sustain 5,450 additional full-time jobs in the UK well into the next century. That is no small consideration.

The increase in low and intermediate-level waste would amount to less than 8 per cent. of total waste arising in the UK, and that waste could be easily accommodated in the Nirex repository without expanding it. Indeed, it amounts to only 5 per cent. of the capacity of the proposed repository. Since BNFL made its first waste substitution proposals, the volumes of waste arising each year at Sellafield have been cut by 30 per cent. through a programme of waste minimisation, which should be continued. If it is, as I believe that it will be, further substantial volume savings will be achievable.

Those are all important considerations. I congratulate the Government on their pragmatic, safety-first and putting-Britain-first approach to this problem. As my hon. Friend the Member for Shoreham (Mr. Stephen) said, the problem will not go away, so we must deal with it effectively. I urge the Government to set an early start date for the Nirex repository, as that would deal with some of the issues that Opposition Members have raised and would be in the best interests of the public, the industry and our economy.

12.37 pm

Ms Joan Ruddock (Lewisham, Deptford): I congratulate my hon. Friend the Member for Sheffield, Attercliffe (Mr. Betts) on securing this important debate and on setting out so clearly the concerns of his constituents about disposal to landfill. I also congratulate my hon. Friend the Member for Nottingham, South (Mr. Simpson), who expressed his constituents' concern for safety in the transportation of nuclear materials.

This debate has focused on civil nuclear power generation and its waste, and waste arising from medical processes, but as the hon. Member for Shoreham (Mr. Stephen) reminded us, there is a link with the military programme. In an energy-rich nation such as Britain, the costs of a civil nuclear power programme would never have been justified had it not been for that link. Today, the many reasons advanced in favour of nuclear power

should not blind us to the fact that it has been an enormously expensive programme that has depended entirely on the public purse and given rise to lethal waste products.

Dealing with that waste presents a legacy for the future, which stretches far beyond the imagination of anyone here today. That is why ordinary people are, rightly, deeply concerned about both Government and commercial activities in this sector, and particularly about the secrecy that surrounds them.

As with all waste, the first discipline should be minimisation. Given that neither the present Administration nor the Opposition see a case for supporting new nuclear power stations, it is conceivable that, over a period, nuclear waste production may diminish. However, decommissioning of old nuclear power stations and obsolete military hardware means that the problem is likely to get worse.

It is difficult to obtain meaningful figures for nuclear waste. Nuclear waste is divided into three categories—high, intermediate and low level. Only low-level nuclear waste is disposed of. The other two categories are stored, as no safe method of disposal has been developed.

Will the Minister give us a clear account of the extent of radioactive waste production and future projections? Will he tell us whether the Government continue to stand by the 1991 inventory of radioactive wastes—that is, projected to 2030, that there would be 8,180 cu m of high-level waste, 208,000 cu m of intermediate-level waste and 1,420,000 cu m of low-level waste—and will he say whether that includes waste from the military programme? Will the Minister give us the projected costs of nuclear waste disposal and storage both from the civil and military programmes?

The safe decommissioning of obsolete nuclear installations presents us with a major challenge and a colossal cost—originally a cost recognised by Government, but now set aside in the drive to sell off anything to raise money for tax cuts.

Dr. Spink *indicated dissent.*

Ms Ruddock: Yes; it is true.

Privatisation of the nuclear industry would be an act of gross irresponsibility. Major questions should be asked, not only about operational safety in a privatised industry, but about the enormously expensive disposal, storage and transport of nuclear waste arising from that industry.

Mr. Stephen: Will the hon. Lady give way?

Ms Ruddock: I cannot; there is no time.

The most extraordinary aspect of all the Government's plans to sell off the nuclear industry is that they dispose of public assets—no doubt yet again providing opportunities for fat cats to avail themselves of massive share options—while retaining at the taxpayer's expense all the current major liabilities of decommissioning the Magnox reactors.

In 1993, the National Audit Office report on the cost of decommissioning nuclear facilities estimated liabilities to Nuclear Electric, Scottish Nuclear and BNFL at £15 billion at 1992 prices, but will the Minister confirm that the United Kingdom Atomic Energy Authority's liabilities are estimated at a further £8 billion and that the generators' and BNFL's liabilities for management of spent fuel and nuclear waste are estimated at an even higher figure than those that would arise from decommissioning? Taking all the categories together, will the Minister confirm that the gross lifetime cost of discharging nuclear liabilities is well in excess of £40 billion?

The Government, in retaining public responsibility for decommissioning the old power stations, are acknowledging that private industry will not pick up that price. What guarantee have we that in future a privatised industry will safely conduct those enterprises, dispose of the waste and so on? Is it not a fact that recently, faulty bloodbags have made a nonsense of the privatisation that is occurring within the national health service, and that in future, similar risks might be taken with potentially cheaper fuel flasks? Privatisation will exacerbate the already difficult, dangerous and costly problems of disposing and storing nuclear waste.

As to transport, the local authority associations said in their evidence to the nuclear review:

> "Every proposal for storage or disposal of radioactive material away from the site of origin . . . involves potential risks to the areas through which the material is to be transported to its next resting place—a factor which is equally relevant when the station is ultimately decommissioned".

The fears that the local authority associations expressed in that evidence have been well documented and spelt out by my hon. Friends in their speeches today.

We are deeply worried about the continuing incidents and accidents that do occur, no matter what the Government tell us. The National Radiological Protection Board records that, between 1964 and 1990, there were 406 transport accidents and incidents, 65 of which they identify as significant in terms of the severity or radiological consequences. This year, there has been a considerable number of disturbing incidents.

In March, Greenpeace discovered an unattended lorry containing spent nuclear fuel rods from Chapelcross. What is the Minister's reaction to the fact that the driver and security guards of that vehicle had taken a tea break?

Only a week later, a 22-tonne lorry carrying low-level waste overturned on the M5 north of Bristol. I am told that, as recently as last Friday, a train transporting nuclear waste from Dungeness to Sellafield was taken into a siding at Rugby because of "weird noises emanating from a fuel flask." Can the Minister confirm that incident and tell us what happened?

Nuclear waste transport is a cause of considerable anxiety in my constituency, through which irradiated nuclear fuel from Dungeness is carried on the Hither Green-Lewisham-Nunhead line twice a week, passing through highly populated areas and unstaffed and insecure stations. What does privatisation of the railways mean for the safety of that transport, given that we already know of a catalogue of incidents at the very least, if not potentially serious accidents?

Finally, I shall comment on the White Paper. Like my hon. Friends, I have questions for the Minister. We are told that the Government favour land disposal for the long-term management of vitrified high-level waste. Will the Minister tell us what is meant by

> "putting in hand the steps to develop and implement the necessary research strategy"?

What is the time scale—when will the development of that much-needed facility take place?

[Ms Ruddock]

Will the Minister confirm something to which one of his hon. Friends alluded today—that the Government are prepared to allow high-level foreign nuclear waste to be stored in the United Kingdom?

Low-level nuclear waste was comprehensively discussed in the speech of my hon. Friend the Member for Attercliffe. His anxiety and that of his constituents about the possibility of disposal to landfill are entirely understandable. I trust that the Minister will reply to the pertinent questions that my hon. Friend posed, and those that were asked by myself and my hon. Friend the Member for Nottingham, South.

As the debate has shown, although we all have good reason to celebrate the victory of public pressure and good sense over landfill of low-level nuclear waste, major worries remain about the transport and safe disposal of a huge volume of highly dangerous and toxic nuclear waste.

12.47 pm

The Parliamentary Under-Secretary of State for the Environment (Mr. James Clappison): I am glad to have the opportunity to wind up a debate on an important and interesting subject, and to have the opportunity to respond to the arguments of the hon. Member for Sheffield, Attercliffe (Mr. Betts). I am also glad to have had the opportunity to listen to the constructive and realistic points of view that were expressed by my hon. Friends the Members for Shoreham (Mr. Stephen) and for Castle Point (Dr. Spink) in their speeches.

Dr. Spink: It is extremely remiss of us that none of us have welcomed this most noble and honourable Minister to his new position.

Mr. Stephen: May I associate myself with those remarks?

Ms Ruddock: May I do so also?

Mr. Clappison: I am overcome by the kindness that has suddenly been showered on me from all directions.

As the House has heard, last week the Government published a White Paper containing the final conclusions of its review of radioactive waste management policy. The review was announced by my right hon. Friend the Secretary of State for the Environment in May 1994, and preliminary conclusions were published in a consultation paper in August 1994, to which the hon. Member for Attercliffe has referred at length. The final conclusions have been reached in the light of the responses that were received.

The purpose of the review was to examine policy in the light of changes since the Government's national strategy on radioactive waste management was published in 1984. The primary aim throughout has been to ensure that radioactive waste, irrespective of whether it is produced by public sector or private sector operations, is properly managed, and to ensure that people and the environment are not exposed to unacceptable risks now or in future. Those are the underlying principles.

As the House has heard, there are a number of categories of radioactive waste ranging from very low-level waste—including that to which the hon. Gentleman referred—from research or medicine, to high-level waste from the reprocessing of spent nuclear fuel. The waste has the potential to cause harm and needs to be managed carefully.

The Government are committed to maintaining and developing a policy which ensures that radioactive wastes are not created unnecessarily; that such wastes as are created are managed and treated safely and appropriately; and that they are then safely disposed of at appropriate times and in appropriate ways. The Government will do that by means of a regulatory framework which ensures that producers and owners of radioactive waste fully meet their responsibilities and develop appropriate waste management strategies.

The Environment Bill, which is currently before Parliament, contains provisions that will streamline the handling of applications to dispose of radioactive wastes for nuclear licensed sites in England and Wales by making the new Environment Agency the sole authoriser, with the Ministry of Agriculture, Fisheries and Food and the Welsh Office as statutory consultees. The White Paper also says that developers of major projects may, if they wish, submit early applications for disposal authorisations and the regulators will then be able to decide on them before major commitments of money and effort have been made.

The review has confirmed the Government's commitment to disposal rather than indefinite storage of radioactive waste as the best means of meeting our commitments to future generations and therefore contributing to sustainable development. In the case of high-level waste, which British Nuclear Fuels plc is converting from liquid into glass, the waste must be stored for at least 50 years to allow for the short-lived radionuclides to decay and heat generation to reduce. However, after that the Government favour disposal to geological formations on land as the best option for the long term. We have said that we will put in hand the development of a research strategy to help us produce a statement of future intent, setting out the decisions to be taken and the milestones to be achieved.

In the case of intermediate-level waste, the Government consider it appropriate that Nirex should continue with its programme to identify a suitable site for a deep disposal facility. The Government have decided that no advantage would be gained from delaying the development of the repository itself and that, once a suitable site has been found, it should be constructed as soon as reasonably practicable. The precise timetable will depend on the granting of planning consent and compliance with regulatory requirements, including the establishment of a sound safety case. The Government have already promised to hold a full public inquiry into an application for the repository.

Disposal routes are already available for low-level waste which, depending on its concentration and level of activity, may go to BNFL's shallow disposal facility at Drigg in Cumbria or for "controlled burial" at suitable landfill sites.

I shall deal now with the points raised by the hon. Member for Attercliffe. A large number of members of the public have expressed concern about controlled burial. That form of disposal has been used for many years by non-nuclear industries which process raw materials containing natural radioactivity, and by major hospitals and universities for their relatively more active waste streams. The hon. Gentleman will be familiar with the

disposals by hospitals in Sheffield to the tip at Beighton, to which he referred. That method has also been used by BNFL for waste from its uranium enrichment and fuel fabrication plants and, at its Sellafield site, for lightly contaminated excavation spoil.

A site usually receives waste for controlled burial from no more than one or two sources. In considering an application for controlled burial, the regulators assess not only the type and activity of the waste but the containment characteristics of the site to which it is to be sent. If an authorisation is granted, the regulators also arrange for leachate from the sites to be monitored and for the results to be published.

It was proposed in the preliminary conclusions of the review that there would be an advantage in encouraging waste producers to make greater use of controlled burial in order to relieve needless pressure on the disposal capacity of BNFL's disposal facility at Drigg in Cumbria. Contrary to reports made at the time, that would not require new legislation; nor would it involve deregulation of the nuclear industry, as the route is already open to it and disposals would continue to be strictly controlled by the regulators. That is a very important point and the hon. Gentleman referred to it. There is a very tight system of regulation in place.

Although the proposal was supported by the Radioactive Waste Management Advisory Committee and the National Radiological Protection Board, the Government have recognised the genuine anxieties that their proposal has aroused among local residents and, for that reason, they have decided not to encourage greater use of controlled burial by the nuclear industry. Nevertheless, there are sound economic and radiological grounds for controlled burial and the Government believe that it should continue to be available as a disposal route, particularly for "small users"—such as hospitals, universities, research laboratories and non-nuclear industries—subject to the agreement of the site operators and to the necessary regulatory requirements being met.

I shall now deal in more detail with the points raised by the hon. Member for Attercliffe. He recognised and noted very fairly the Government's response in the White Paper following the consultations that have gone on since last August. The hon. Gentleman has clearly been involved in making representations and in the discussions that have taken place. The issues have been ventilated, and the hon. Gentleman will know from reading the White Paper that, while the Government recognise that nuclear waste can be disposed of safely in that type of landfill operation, they have made it clear that they are responding to public anxieties and the sorts of views expressed by the hon. Gentleman and are not encouraging the nuclear industry to use that disposal method. That point is plainly on the face of the White Paper.

The White Paper contains positive proposals for inviting the environment agencies to offer suggestions for making more transparent the information about which landfill sites receive such waste and for issuing formal guidance to the agencies about the need to consult local authorities about authorisations for controlled burial. The Government have no proposals to introduce legislation which would force private operators or local authority waste disposal companies to accept radioactive waste. I hope that the hon. Gentleman will be reassured by the White Paper on that point.

The White Paper proposes a policy of national self-sufficiency in dealing with radioactive waste. The Government believe that countries which are sophisticated enough to have a nuclear industry should also be able to develop their own waste facilities and that accepting their waste would reduce the incentive for them to develop facilities of their own. On the other hand, countries should not be precluded from taking advantage of the non-nuclear uses of radioactivity, such as medical diagnosis and treatment, simply because they do not have the resources to develop waste facilities. Equally, there may be sound technical reasons why waste should be imported for treatment, provided that there is no environmental detriment to the importing country. Certain exceptions will therefore be allowed.

Consistent with their policy of self-sufficiency is the Government's requirement that BNFL should exercise its return-of-waste clauses in contracts with foreign customers for the reprocessing of spent fuel. The Government have accepted that that policy can be implemented by waste substitution arrangements which ensure broad environmental neutrality for the United Kingdom, but they consider it prudent that they do not become irrevocably committed to waste substitution in the absence of appropriate disposal arrangements within the United Kingdom.

In agreeing equivalence between categories of waste, some additional high-level waste should also be returned over and above that calculated on radiological grounds alone in order to account for some minor non-radiological environmental consequences of substitution. Substitution does not mean that the United Kingdom will become a "nuclear dustbin", as some have alleged—far from it. The Government are adopting a properly cautious approach to ensure that there will be no environmental or radiological detriment to this country.

The hon. Member for Nottingham, South (Mr. Simpson) raised the question of transport. I apologise for dealing with it only briefly, but time is pressing. A strict regime is in place. Responsibility for policy concerning the safe transport of radioactive materials, including waste, is a matter for my right hon Friend the Secretary of State for Transport.

The movement of waste is governed by regulations recommended by the International Atomic Energy Agency. The purpose of the IAEA regulations is to ensure that the packaging for transport should adequately protect transport workers and the public under all foreseeable circumstances, including the occurrence of a severe accident. Rather than requiring the use of special vehicles or special routes, the regulations ensure that appropriate safety is built into the design of the package in which the radioactive material is carried.

The regulations specify design performance standards which are independent of the means of transport. Where the radioactivity to be contained exceeds specified levels, the standards include tests for demonstrating the ability of the container to withstand damage from involvement in a severe accident without any significant release of its contents or an increase in external radiation.

A national scheme, called the nuclear industry road emergency response plan, has been put in place to provide contingency arrangements in the event of a road accident involving radioactive materials. Its participants include a number of important publicly recognised organisations such as the Ministry of Defence, Nuclear Electric,

[Mr. Clappison]

Rolls-Royce and Associates and Scottish Nuclear. Those organisations have agreed to dispatch qualified health physicists from the nearest organisation to deal immediately with any incident.

I shall write to the hon. Member for Nottingham, South setting out the details. I shall also write to the hon. Member for Lewisham, Deptford (Ms Ruddock) who raised many detailed points. It is a serious subject that involves long-range planning—

Madam Deputy Speaker (Dame Janet Fookes): Order. We must move on to the next topic.

Foetal Pain

1 pm

Mr. David Alton (Liverpool, Mossley Hill): Thank you, Madam Deputy Speaker, for enabling me to raise this issue in the House today. I also thank Madam Speaker and the Minister, who is in his place. I draw his attention to the all-party early-day motion 1380 tabled today by myself, the right Member for Selby (Mr. Alison) and the hon. Member for Workington (Mr. Campbell-Savours), who is in his place. It draws attention to the recommendation of Dr. Maria Fitzgerald in a report commissioned by the Department of Health that

"the effects of trauma of any kind to the developing nervous system should be minimised as far as possible by whatever means are available."

The Minister should be congratulated on his Department's response to date on the issue of foetal pain. Let me explain the background. In 1988, the Department of Health commissioned a report from Dr. Fitzgerald, of the department of anatomy and developmental biology at University college, London—to whom I have just referred—on the evidence for foetal pain.

In 1994, a team led by Professor Fisk of the centre for foetal care at Queen Charlotte and Chelsea hospital, published pioneering work on

"the level of response in the unborn to potentially painful procedure; intrauterine needling".

Its research concluded:

"The human foetus feels pain in utero and may benefit from anaesthetic or analgesia for invasive procedures."

In the light of that research, Dr. Fitzgerald updated her report, and, in response to a question from the right hon. Member for Oxford, West and Abingdon (Mr. Patten)—who I am pleased to see in his place and to whom I am grateful for his encouragement and support in promoting this cause in the House—the Department lodged a copy of its findings in the Library of the House.

Dr. Fitzgerald finally concluded:

"It cannot be denied that the foetal nervous system mounts clear protective responses to tissue injury and this cannot be ignored . . . If a foetus or a pre-term infant is to survive and mature into an adult it is essential to consider this issue. The effects of trauma of any kind on the developing nervous system should be minimised as far as possible by whatever means are available."

Today's debate is in response to that report. I should stress immediately that the debate is about foetal pain, and not about the Abortion Act 1967. My position on that legislation is perfectly clear, and I have never tried to hide it. However, there are a hundred and one other intra-uterine operations which can cause pain to the foetus.

Surely no one in the House would not wish to combat pain and suffering wherever they occur. As a parent, I have watched my own children on the ultrascan. For many of us, that is an increasingly common introduction to the wonders of the developing human being. I saw one of my sons at nine weeks' gestation, and I saw my daughter at 18 weeks' gestation. By that stage, the child is about a foot in length and pumping 50 pints of blood a day. Every single one of its organs is in place. The child is sentient, and responds to light and sound. It is most extraordinary that, with the aid of science, we can now see those marvellous developments in human characteristics.

There is no difference between a child at that stage in its development and any person in the Chamber, other than in terms of size and weight.

Mr. D. N. Campbell-Savours (Workington): The hon. Gentleman will know that I gave my maiden speech on this subject. It is an extremely important issue. Does he recall the film "The Silent Scream", which was produced seven or eight years ago, and was never given the coverage that it deserved? It proved quite conclusively that everyone in Britain and throughout the world should be considering that it is proven beyond doubt that the foetus feels pain, and something should be done to protect it from that pain.

Mr. Alton: I am grateful to the hon. Gentleman for raising that point. The film "The Silent Scream", and others like it, are subject almost to a conspiracy of silence. I cannot understand why it was never shown on our national television network, especially when one considers some of the programmes that are broadcast. We see every medical procedure known to mankind, so it is extraordinary that such a programme has not been given a wider audience.

I hope that, as a result of today's debate, others may take the time to search out that film and see it, but unfortunately—this corroborates what the hon. Gentleman has just said—there are those who attempt to sweep under the carpet the facts about foetal pain. That may explain why, despite the existence of evidence of foetal pain since the 1960s, we have statute law protecting foetal, larval or embryonic animals from any scientific procedure likely to cause pain, but none to protect the human foetus in the womb.

It seems extraordinary to me that, although some people and hon. Members find it credible that animal foetuses can feel pain, others balk at the notion that the human foetus also feels pain. I refer the House to the Animals (Scientific Procedures) Act 1986, for which most of us voted. It states:

"Subject to the provisions of this section, 'a protected animal' for the purposes of this Act means any living vertebrate other than man."

It continues:

"Subject to the provisions of this section, 'a regulated procedure' for the purposes of this Act means any experimental or other scientific applied to a protected animal which may have the effect of causing that animal pain, suffering, distress or lasting harm."

In the debate about when life ends, it states:

"For the purposes of this section an animal shall be regarded as continuing to live until the permanent cessation of circulation or the destruction of its brain."

I cannot help thinking wryly that only when a seal is washed up on our shores holding a placard saying "Save the human race" will we see the illogicality of the decisions that we take. Crucial and important as animal welfare may be, the same rules should apply to our own species.

In an attempt to blur the issue, there are even attempts to argue that pain is almost a metaphysical experience, based on understanding and memory that the human foetus has not had the opportunity to develop. I hope that we can lay such bunkum to rest once and for all. I refer the House in particular to the pioneering work of Professor Kenneth McAull on the issue of foetal memory.

Pain is a physical fact. There are thousands of patients suffering from diseases such as Alzheimer's who have no memory or understanding of their plight. Despite that, they can experience physical pain, and any doctor who suggested otherwise would be in severe trouble.

The old chestnuts used to describe the human foetus as "a blob of jelly" or "a clump of cells" have long since been shown to be a parody of science. A human being, however small, who can react to light and disturbance and even show taste preferences, could never be described as a jelly.

There is more bad science peddled on the subject. Some attempt to argue that the foetus can feel pain only through the cerebral cortex. That notion is wildly outdated, following the most recent research showing that it is in the lower part of the brain, the thalamus, that pain receptors discharge electrical impulses telling the body to react to trauma and noxious stimuli. The earliest response from the thalamus occurs at the end of the seventh week of pregnancy.

Those who attempt to dismiss foetal ability to feel pain should take a lesson in science from Baroness Warnock and the Royal College of Obstetricians and Gynaecologists. When Baroness Warnock and her committee were attempting to settle a time limit for destructive experiments on the human embryo, one factor that they took into account was the embryo's capacity to feel pain. They state in their report:

"As long as the embryo is incapable of feeling pain, it is argued that its treatment does not weigh in the balance.".

The report concludes:

"The time limit for research on the embryo could be set either when the first beginnings of the central nervous system can be identified or when functional activity first occurs."

Expert evidence was sought from the Royal College of Gynaecologists, and the Warnock committee reported its findings:

"The Royal College of Obstetricians and Gynaecologists suggested that embryos should not be allowed to develop in vitro beyond a limit of seventeen days, as this is the point at which early neural development begins."

In the light of that, and the recommendations not only of Professor Fisk's team but of the Department's own report, I suggest to the Minister modest and reasonable action that he could take that would settle the matter, I hope, once and for all.

First, a circular could be issued to health authorities and to doctors, drawing their attention to the conclusions of the latest research and recommending action to anaesthetise foetuses before any invasive procedure, such as needling or intra-uterine surgery liable to cause trauma to the foetus. Secondly, in the interest of a fully informed decision, any parents who are considering giving permission for such procedures should be alerted to the possibility that pain will be inflicted on their unborn child.

If such action was properly and promptly taken, and adequately complied with, it might not then prove necessary to write pain prevention for the human foetus into statute, as it is at the moment with animals. I should also warn the Minister that, if such action is not taken, this issue will not go away, and legislation may be the only way to ensure that the suffering and the pain currently inflicted on the foetus will be alleviated.

1.11 pm

Mr. John Patten (Oxford, West and Abingdon): I am glad to have the chance to intervene briefly and to make three points. First, I warmly congratulate my hon. Friend the Minister and his predecessors in the Department of Health on taking this issue seriously; on immediately

[Mr. John Patten]

bringing before the House, in May this year, the most recent Department of Health report; on laying it in the Library; on making it publicly available; and on ensuring that there is no cover-up of the information that is available. My hon. Friend deserves our congratulations on that.

My second point flows directly from the first. The information is publicly available and the Department of health has, I understand, accepted the report that foetuses feel pain during various procedures in the uterus. Just suppose that information had been made publicly available that a drugs company had a product on the market, a product that was used by pregnant women and caused pain to the foetus. Imagine the uproar that there would have been: early-day motions in this place; screaming headlines about a new drugs company scandal; learned leaders opining that something must be done; and Ministers dragged from their beds early in the morning on to the "Today" programme to explain why nothing had been done.

I do not suggest that there is a conspiracy of silence by the media about this issue—after all, the report has been available for many weeks—but I have seen no mention of it in the public prints. I suggest to the House that there is a blanket of silence about the issue, and it should now be brought as quickly as possible to the public notice.

I am sure that the BBC will be giving proper notice tomorrow to the debate. This is a classic issue for my friend, Michael Grade, whom I personally greatly admire, to ensure that it is properly aired, for example, on Channel 4, so that the public are awakened to something that would be seen as a scandal if a drugs company were involved, but over which a heavy blanket of silence has been drawn.

Thirdly, I am sure that my hon. Friend the Minister would not seek to say that nothing should be done after the report. The first and most important thing to be done, as a matter of urgency in the coming weeks and months, is to give guidance to doctors, health authorities and trusts, and to private clinics as well, about the evidence shown by the report, to minimise the pain that foetuses may experience in all sorts of procedures, not just abortion. That is a matter of prime urgency.

Clear guidance should also be given to those who counsel mothers and fathers considering an abortion. One of the factors they should bear in mind and weigh in the balance when making that terrible decision—which many take but from which quite a few draw back—is that the procedure they are permitting and encouraging to go forward will involve pain to an unborn child.

They should have a clear understanding of that. It is a matter of prime importance. It is a considerable humanitarian issue, and the House expects a rapid reaction from Her Majesty's Government on it.

Dr. Robert Spink (Castle Point) *rose—*

Mr. Campbell-Savours *rose—*

Madam Deputy Speaker (Dame Janet Fookes): Order. Can I be clear that hon. Members who are now seeking to catch my eye have the permission both of the organiser of the debate and of the Minister? It is also usual to inform the Chair in advance.

1.14 pm

Mr. D. N. Campbell-Savours (Workington): I am sorry about that, Madam Deputy Speaker, because, as you know, I am always very deferential to the Chair.

The right hon. Member for Oxford, West and Abingdon (Mr. Patten) referred to do a conspiracy of silence. I believe that there is a conspiracy of silence. The reality is that it does not suit those who argue the right to choose—as freely as they would wish to exercise it—to have to consider the implications of foetal pain. That is the real world. It is an argument that is going on in America, here, and no doubt in other parts of western Europe. Only by publicising the issue will women face up to the responsibility of having to consider the implications of late abortion.

1.15 pm

Dr. Robert Spink (Castle Point): I congratulate the hon. Member for Liverpool, Mossley Hill (Mr. Alton) on bringing the debate to the Floor of the House. It is a very important issue.

Although I very much respect the hon. Gentleman's intention not to focus on abortion this morning, we cannot ignore the fact that many methods of abortion will bring pain and much suffering to a foetus. We heard quite graphically about how a foetus can experience suffering and pain.

I would therefore ask the House to reflect on the attitude of women who sign up to the Labour party's "Emily's List", because, I believe, one of the conditions for signing that list is that the women who do so have to accept that they are pro-abortion, and that that has certain implications. That needs further investigation, and we should look at it extremely carefully, because it is an important area. It is something that the country deserves to learn about.

I thank you, Madam Deputy Speaker, for giving me the opportunity of raising that issue.

1.16 pm

The Parliamentary Under-Secretary of State for Health (Mr. Tom Sackville): I congratulate the hon. Member for Liverpool, Mossley Hill (Mr. Alton) on his success in raising a topic which, as we know, he has raised in different ways in the House on many occasions and about which he feels very deeply.

Perhaps I should first make clear the Government's position on abortion, as the matter is germane. Parliament decided that abortions may lawfully be carried out in the circumstances set out in the Abortion Act 1967, as subsequently amended by the Human Fertilisation and Embryology Act 1990. The present provisions are in place as a result of a series of free votes in the House in 1967 and again in 1990. It was clear then and it is clear now that there are strongly held and widely differing views on the subject. In spite of that wide divergence, the Government must operate within a framework laid down by Parliament.

We have a duty to ensure that the provisions of the Act are properly applied until and unless Parliament chooses to change that law. In England, the operation of the Act is monitored closely by the Department of Health, through the Department's control of the private sector, and the investigation of specific complaints. Similar arrangements

apply in Scotland and Wales. Last year, the Department of Health reviewed and updated its arrangements for improving and inspecting places approved under the Abortion Act.

All medical practitioners carrying out terminations are required to notify the chief medical officer of each abortion they perform. The notification form includes the grounds for abortion, the method of treatment and the estimated gestation—that last point being particularly relevant to the matter that we are discussing today. The notification forms are scrutinised by staff authorised by the chief medical officer, to ensure that they do not indicate any contravention of the abortion law.

I am setting out the details of the Department's monitoring activities, because it is important for the House to understand the context and framework within which we operate. Monitoring is not a passive activity.

The Government do not take their responsibilities in this area lightly. We are conscious of the turmoil and worry that women face when they undergo termination of a pregnancy. We are sensitive to the feelings of those who oppose abortion. For many women, it is a tragic and difficult decision they face: it is no easy option. We recognise the importance of counselling for the women concerned, and all centres carrying out abortion or providing advice on abortion have guidelines on this important prerequisite. Furthermore, if an abortion has to take place, distressing though that may be, the earlier in pregnancy the better for all concerned.

There have been developments since the 1967 Act. The viability of the foetus at 24 weeks has been recognised, and for the great majority of cases that is the upper limit for termination. Medical, in contrast to surgical, termination has become available. In other words, for late terminations, drugs can be used to terminate the pregnancy instead of surgery.

Mr. Alton: As the Minister is setting out the record, I am sure that he will also want to make it clear that, since 1990, abortion is allowed right up to and even during birth on a handicapped baby.

Mr. Sackville: I am aware of that, but I reiterate that the vast majority of terminations are much earlier.

Some people who oppose abortion claim that those who accept it simply have no regard for human life. That is not the case for the Government.

Mr. Campbell-Savours: On a point of order, Madam Deputy Speaker. Will the Minister bring his speech to the issue of foetal pain, which is what we are here to debate?

Madam Deputy Speaker (Dame Janet Fookes): I have been following carefully, and my understanding was that the Minister was seeking to sketch in the background. One must also bear in mind the fact that there is rather more latitude in Adjournment debates than there might be on other occasions.

Mr. Sackville: Thank you, Madam Deputy Speaker.

I want to illustrate the fact that the Government listen to all views by reminding the House that the Department of Health responded quickly to representations from the hon. Member for Mossley Hill on the disposal of foetuses after termination of pregnancy. All centres carrying out termination have clear instructions. Full account must be taken of any personal wishes expressed. I am sure that all hon. Members accept that respect is due to the dead foetus based on its loss of potential for development into a fully formed human being.

We must always take the humane view in all aspects of the termination of pregnancy. For that reason, the topic raised by the hon. Gentleman for debate this afternoon deserves careful consideration, the question being whether the foetus experiences pain.

The House has heard today mention of an article in *The Lancet* of 9 July 1994 entitled "Fetal Plasma Cortisol and Beta—endorphin response to intra-uterine needling". The work reported in *The Lancet* is a welcome addition to our knowledge on the subject. However, one of the dangers with any such issue is that conclusions may be jumped to which are not justified by the evidence. Therefore, let us consider for a moment the main conclusions of the article.

The studies involved relate to life-saving blood transfusions before a baby was born, not to abortion. One process required the passing of a needle which carried the blood into the foetus's abdomen. That process was compared with another whereby the blood transfusion was via the umbilical cord. The comparison is important, because the umbilical cord has no nerves.

The hormonal response was then measured—the actual measurement being the concentration of cortisol and beta-endorphin, the substances referred to in the title of the article in *The Lancet*. A known physiological response to stress is the production of those substances in the blood.

The researchers found that in neither case did the concentrations of cortisol and beta-endorphin increase in the first 10 minutes of the transfusion. However, after 10 minutes, a substantial increase was observed when the transfusion was via the abdomen of the foetus. The study suggests that the foetus mounts a hormonal stress response to invasive procedures. What the study does not tell us is whether the foetus can be said to feel pain.

Other studies have shown that those parts of the brain that may recognise pain are developing in the second three months of pregnancy, but some of the anatomical changes can be recognised only beyond the end of that period. However, the fundamental question of when the foetus is conscious of feelings remains incompletely resolved.

Mrs. Helen Jackson (Sheffield, Hillsborough): I am grateful now for not being the only woman, besides yourself, Madam Deputy Speaker, in the House today to be considering a subject which is of major importance to women in particular.

Does the Minister agree that the study in *The Lancet* to which he has referred is a study of foetuses over 23 weeks, and that any connection between that study and a general opposition to the present legal right to abortion in this country would be inappropriate, because late abortions are not only undertaken with extreme distress and unwillingly by women, but also only in rare cases where there is foetal abnormality anyway?

Mr. Sackville: I have already made that distinction clear. Most abortions are now below 24 weeks. There have to be unusual grounds for late abortions.

This is a matter which is clearly worthy of research. The Medical Research Council is always ready to consider soundly based research proposals. In the meantime—

Dr. Spink: Will my hon. Friend give way?

Mr. Sackville: I must carry on, because I want to continue my argument.

In the meantime, I feel sure that the study to which the hon. Member for Mossley Hill has drawn attention will have been studied carefully by obstetricians and gynaecologists, as well as anaesthetists who are involved with invasive clinical procedures.

In 1988, a report on sensory development in the human foetus was prepared, as has been said, for the Department by Dr. Maria Fitzgerald in connection with the report of the committee to review the guidance on the research use of foetuses—the Polkinghorne report. In the light of recent interest in the subject, we asked Dr. Fitzgerald to update her earlier commentary. A copy of that updated report has been placed in the Library. It continues to support the view that, up to 26 weeks, the foetus does not feel pain.

A necessary prerequisite for pain perception is considered to be the presence of mature neural pathways to the cortex of the brain. In the human foetus, the relevant nerve fibres begin to reach that cortex only from 26 weeks' gestation. Before that, foetal movement in response to stimuli should be regarded as a reflex involving peripheral nerves and the spinal cord.

All these matters are open to different interpretations. What has appeared in an early-day motion may put Dr. Fitzgerald's recent report in a slightly different light. In its summary and conclusions, she says:

"The existing evidence shows that little sensory input reaches the developing cortex before 26 weeks and therefore these reactions to noxious stimuli cannot be interpreted as 'feeling' or perceiving pain."

While I appreciate what my right hon. Friend the Member for Oxford, West and Abingdon (Mr. Patten) said about the need to acquaint health authorities and parents with the latest science, I stress that those conclusions do not support the view that, before 26 weeks, foetuses feel or perceive pain. I am afraid that we must view the subject within that context.

Mr. Deputy Speaker (Sir Geoffrey Lofthouse): Order. We now move to the next debate.

Gilts and Bonds (Taxation)

1.30 pm

Mr. Tim Smith (Beaconsfield): I welcome my hon. Friend the Financial Secretary to the Treasury, who now has one of the most fascinating jobs in Government. There is no doubt about the importance of taxation. My hon. Friend has probably already discovered the difficulty of reconciling the various principles: we all want simplification, but we also want fairness. The subject of taxation of gilts and bonds illustrates that difficulty very well.

This may seem a somewhat technical subject, but it is important. A surprising number of private investors have holdings in gilts—three quarters of a million, I understand. Many others have holdings in zero-dividend preference shares, and use both gilts and those other instruments for the purposes of legitimate financial planning arrangements.

When my hon. Friend's predecessor published a consultative document on the subject on 25 May, it provoked considerable interest. I entirely support the twin objectives contained in its proposals. The first was to simplify taxes by sweeping away 100 pages of legislation dealing with the taxation of different financial instruments, and stating that no distinction would be made between capital and revenue in regard to gilts and bonds: the whole lot would be taxed as one.

That was clearly straightforward, but it involved a major extension of tax. I rather agree with *The Daily Telegraph*, which said yesterday that, if matters were to be simplified, it was probably better to abolish taxes than to extend them. Nevertheless, I support the objective.

My right hon. Friend the Member for Ealing, Acton (Sir G. Young) said:

"The current tax rules for gilts and bonds originate in the 19th century. As the financial markets and the tax system have evolved, more and more special rules have been added."

If that is the case, the whole thing had become very complex.

The second objective was to support the establishment of a gilt strips market, and to facilitate the development of new varieties of bond in the market, to ensure that London remained a leading financial centre. You may not know what "strip" means in this context, Mr. Deputy Speaker. There is a helpful definition at the bottom of page 3 of the Bank of England's consultative document:

"Originally 'stripping' referred to the practice of physically stripping coupons from a bearer bond certificate. As the US market developed, the term 'STRIPS' was employed to stand for Separate Trading of Registered Interest and Principal of Securities."

You are now fully au fait with the term, Mr. Deputy Speaker.

A serious point is embodied in that objective, quite apart from the wish to ensure that London remains a successful financial centre. The hon. Member for Edinburgh, Central (Mr. Darling) will recall much discussion in the Standing Committee on the Finance Bill earlier in the year about the gilts repo market. All the changes involved the laudable aim of reducing the Government's funding costs by trying to ensure that the instruments available to investors matched their needs as far as possible.

The reform was simple. The idea was, and still is, that all profits should be treated as income and all losses should be relievable. What caused concern was the extension of the proposals to cover private investors. Professional investors can cope with complex financial instruments and, indeed, complex taxation; it is much more difficult for private investors to do so. The document proposed the extension of the proposals to all private investors, subject only to a fairly low threshold: a nominal value of about £20,000-worth of gilts was suggested.

That prompted two sets of concerns, about the substance and about the timetable. I would not say that lower coupon gilts designed for the private sector had been marketed by the Government, but there is no doubt that they were introduced for the benefit of the private investor and, in particular, for higher rate taxpayers, on the understanding that they would not be subject to capital gains tax. There was a problem for those who held gilts individually, and a major problem for collective investment schemes. Many people prefer to invest through either a unit trust or an investment trust.

The second concern related to the fact that people had been asked to respond by 30 June to a consultative document published on 25 May. I believe that, notwithstanding the timetable, some 400 people have responded. My right hon. Friend the Member for Acton said that he would make a decision soon after that date, which prompted a worry about parliamentary consideration: it was clear that, by the time the Finance Bill went into Committee in January next year, all would be signed, sealed and delivered, and we would be considering it retrospectively. We ought to have the opportunity to consider such a major change before its full implementation.

I do not particularly like legislation by press release. It is fair enough if the Inland Revenue discovers some major source of tax avoidance and wants to clamp down on it quickly,. but a major change such as this should not be introduced in a press release. Another important consideration is the operative date: when such changes are made, taxpayers should be allowed a reasonable period in which to reorganise their affairs.

On Monday afternoon, my hon. Friend the Financial Secretary and my right hon. and learned Friend the Chancellor of the Exchequer announced major alterations to the proposals. I congratulate my hon. Friend on the speed with which he has moved since his appointment to deal with the matter; however, it could be said that, after having to deal with the problems of Cornish fishermen, he finds dealing with the men from the Inland Revenue a doddle.

In Monday's press release, the Chancellor dealt with most of the major concerns expressed by those who commented on the consultative document. The vast majority of private investors will now have to pay income tax on interest only, as a £200,000 threshold is to be introduced. That will leave only 4,000 private investors subject to the new regime. Why, however, does my hon. Friend consider a threshold necessary? Why can there not be a separate regime for private investors generally?

I have received a number of letters from constituents about that. One, who had chosen to invest in gilts the wealth that he had created during a lifetime in business, told me that he had an investment of £1.5 million. I think that we should welcome the fact that people are prepared to support the Government's funding requirement in that way, and I am not sure why my constituent should be subject to the new regime simply because he has a large holding.

None the less, the change is extremely welcome, exempting as it does the vast majority of taxpayers, and so is the proposal—this could be the answer to my constituent, who has such a large holding—to exempt two particular low coupon gilts: the 3.5 per cent. 1999-2004 and 5.5 per cent. 2008-12 because they are held by private investors in particular. I suppose that one could say to my constituent that he could choose to switch into those two, although some cost would be involved.

Unit trusts that are wholly dedicated to gilt and bond investment are also to be excluded from the new regime. That, too, is extremely welcome, as is the fact that zero-coupon preference shares will be excluded. Some details are to be sorted out in relation to the transition. I am sure that my hon. Friend will now be familiar with what is known as the kink test. That will have to be considered. As with all these things, we shall have to ensure that we do not have a regime that is subject to abuse. That is extremely important.

I should like to mention the position of investment trusts, because, unless I have missed something, I do not think that Monday's announcement referred to them. Of course, a number of them also invest in gilts and bonds, and it is therefore not surprising that the Association of Investment Trust Companies is still concerned. A letter that it has sent me today states:

"under the proposed rules investment trusts will be subject to taxation on capital gains on holdings of gilts and bonds.

The key principle underpinning the taxation of investment trusts has always been that, wherever possible, investors should not be any worse off should they choose to invest indirectly through an investment trust, than if they had chosen to invest directly in the underlying investments."

As they presently stand, however:

"The government's proposals would run counter to this principle as investors would be exposed to double taxation".

They would be paying capital gains tax inside the trust, and then capital gains when they sold their shares in the trust. I hope that the Minister will consider that point, because a strong case exists for putting investment trusts on the same footing as unit trusts.

Of course, there is a difficulty when one gets collective investment vehicles that invest partly in gilts and bonds and partly in equities. It is for that reason, and also because it is important that Parliament should have an opportunity to consider the proposals in detail, that the change in the implementation date, which was announced on Monday afternoon, is most welcome.

The proposals will not come into force until 1 April next year for institutions and 6 April for individuals. That will both provide an opportunity for some of the detailed technical matters relating to collective investment vehicles and other matters to be sorted out, and ensure that we have full parliamentary debate on all the details. That is a much more sensible way to proceed.

First, I welcome the change, because the objectives are entirely laudable: secondly, I welcome the amendments that the Chancellor of the Exchequer has proposed, because we will have a sensible system that will allow some simplification—although, inevitably, there will be more legislation than there would have been. As I said, however, that is the problem if one wants to have equity.

[Mr. Tim Smith]

The proposal will encourage the development of the strips market in the City, and reduce the cost of borrowing to the Government.

1.43 pm

The Financial Secretary to the Treasury (Mr. Michael Jack): I thank my hon. Friend the Member for Beaconsfield (Mr. Smith) for his kind warm words of welcome. He is entirely right that this is my first appearance in my new role at the Dispatch Box. May I also say how pleased I am that the hon. Member for Edinburgh, Central (Mr. Darling) is here as well? I am sure that we will debate matters across the Dispatch Box in perhaps more combative terms than today.

This is not, however, my first parliamentary outing since joining the Treasury, as, within but a few hours of my appointment, I was debating a double taxation agreement on the subject of Bolivia and Belarus. I think that, at that point, I realised, in the nicest sense, what I had let myself in for in transferring my responsibilities from Cornish fishermen, who showed their dissent by throwing things at me, to this more esoteric world. I have yet to find out what angry taxpayers do.

I congratulate my hon. Friend on securing this Adjournment debate on this important subject. In considering his correspondence in the Treasury, I am conscious of the substantial amount of campaigning that he has done on this issue on behalf of private investors in gilts and bonds. I also acknowledge his particular interest in tax matters in general, which his opening remarks attested to, and in the special subject of tax simplification.

As my hon. Friend said, not only does this proposal offer us a way forward in that subject, but Monday's announcement shows that my right hon. and learned Friend the Chancellor of the Exchequer, my right hon. Friend who preceded me in my job and I listened carefully to all the views expressed on this important matter.

Before responding to my hon. Friend's sage remarks on this subject, I hope that the House will allow me to explain briefly what the Treasury hopes to achieve by the reforms outlined in this sector.

There were two main objectives. The first was to simplify the tax rules in this sector to provide a more straightforward and coherent regime. At present, taxpayers must grapple with, as I am discovering, many arcane mysteries: deep gain securities, deep discount securities, qualifying convertible securities, the accrued income scheme, and much, much more. When each set of rules was introduced, there was good reason for it, but the overall effect is now a mountain of complexity, full of anomalies, tax traps for the unwary, and scope for avoidance.

With our announcement on Monday, we see the prospect of major deregulatory gains sweeping away the hundreds of pages of legislation that my hon. Friend referred to, and having a much simpler, shorter and more intelligible tax code as a result.

The second objective is, as my hon. Friend said, to free up the financial markets for new developments. There is a clear demand, from both issuers and investors, for new types of financial investment.

To give just one example, some people have said that they would like to see the issue of "limited price index bonds". Those are bonds where the maturity value is indexed within a pre-set limit. They could be of value in financing large capital projects and in meeting the needs of long-term institutional investors, but at present the tax rules get in the way. My hon. Friend also put his finger on another important point—the potential for the Government to reduce the cost of their borrowing.

Another example is an official market in gilt strips, which again my hon. Friend mentioned. I must admit that I too worried when I first came across that piece of terminology, but he provided us with an extremely good explanation of it. As he said, that is an official facility to trade separately in both the right to capital associated with a gilt, and in the rights to receive interest. Other countries, notably the United States of America and France, have introduced an official strips market with considerable success, but the United Kingdom's current tax rules get in the way of such developments.

There is a clear demand for such innovations, and we need to allow them to take place if the UK is to stay competitive in world financial markets, but it is difficult to cater for them without having some radical tax reform.

Under the proposals, both the Government and private companies can benefit. Companies issuing debt would receive full relief for their borrowing costs. The present obscure distinction between different types of bond will largely disappear, and income and profits received by lenders will be treated as income, with the additional benefit that any capital losses made by lenders will be relieved.

Thus the distinction between capital and income will be removed for bonds. That distinction makes good sense for shares and for real property; it is doubtful whether it makes much sense for bond-type lending, where the likely returns are more predictable from the outset. The result will be a simpler system in which tax factors interfere much less with normal commercial decisions, and in which market innovations such as those I have mentioned can take place.

All that is for companies as issuers and holders of such investments, but we were always clear that something much less sophisticated would be necessary for private investors, and that, for the great majority of them with relatively modest holdings, it would be sensible to continue taxing them, in general, only on interest income, much as now.

To test reactions to the proposals in my hon. Friend's speech, the Inland Revenue and the Bank of England issued consultative papers on 25 May. In response, companies and tax practitioners strongly endorsed the reform in principle for professional investors, but two reservations came through very clearly.

First, there were widespread calls for implementation to be deferred to give a further opportunity for consultation on matters of important detail, and to give the House full scope to examine the results. I am grateful to my hon. Friend the Member for Beaconsfield for his comments on that. Deferral will also allow firms and individuals to approach the start date with reasonable certainty about what they are taking on.

Secondly, while the ideas were welcomed by business and the financial markets, concern was expressed by private investors who felt that the proposals might adversely affect them. They were particularly concerned that their investment expectations could be disrupted, as they had planned their existing portfolios against the

background of the tax rules that have applied to date. Some called for a higher threshold than the one that was mentioned in the consultation document, while others pressed the particular claims of investors in low-coupon gilts. Others urged us not to disturb the debt/equity borderline, and to leave the current taxation of shares, including zero-coupon preference shares, unchanged.

Those concerns were carefully considered by my predecessor, my right hon. Friend the Member for Ealing, Acton (Sir G. Young), who is now Secretary of State for Transport, and my right hon. and learned Friend the Chancellor. I hope that my hon. Friend the Member for Beaconsfield agrees that those concerns were addressed by the Chancellor's announcement on Monday. I hope that it will be helpful to the House to set out the details of his announcement.

There will be a generous threshold of £200,000 for private investors. That will ensure that probably no more than 4,000 private investors will fall within the scope of the changes. I shall develop that point later in answering my hon. Friend's question about why there should be a line at all above which some private investors will be included.

Two gilts with a particularly low coupon are to be excluded altogether. Those have long been held by private investors, and assurances about their tax treatment were given by a previous Administration. There will be no change in the debt/equity border line. Therefore, there will be no change in the present treatment of zero-coupon preference shares or, indeed, any other type of share. I hope that that underlines the reassurance that my hon. Friend derived from Monday's announcement.

The start date for all these changes has been deferred until April next year. Consultations on the details of the proposals will continue until that date, giving people more opportunity to prepare for the changes and to voice any remaining concerns. I hope that my hon. Friend, who has considerable expertise and interest in these matters, will participate in that exercise. Where valuations are needed, they will be carried out in April 1996.

Some hon. Members have expressed concern about the impact of the changes on collective investment vehicles—in particular on the need to avoid the double taxation of gilts and bonds that are held by such vehicles. My hon. Friend spoke about that. We envisage that unit trusts that are invested predominantly in gilts and bonds will, as taxpayers, be wholly outside the new rules. They will be treated in the hands of investors as a sort of synthetic bond that is subject to the new rules, but included, in the case of private investors, in the generous threshold provisions that we propose.

That ensures that collective schemes will continue to offer efficient access to the full range of PEP opportunities, including corporate bond PEPs which are deservedly attracting so much attention. It also gives bond funds equivalent treatment in competing with direct investment in gilts and bonds outside PEPs.

I appreciate that there are some further concerns in the unit trust and investment trust sectors. That is one reason why we are deferring the start date until April next year. As I have said, that will allow additional consultation on the details of the proposals to continue. Given a constructive approach in future discussions, I am confident that we can find whatever further detailed adaptations may be necessary.

The end result of the Chancellor's proposals is that, essentially, there will be no change in the way in which the overwhelming majority of private investors are presently treated. I trust that the House welcomes the proposals. The outcome has been widely welcomed outside. My hon. Friend quoted from a well-known national newspaper, so I shall reciprocate by quoting from another.

The view of the *Financial Times* was:

"Most private investors have been given everything they wanted from the changes to the gilt tax proposals".

The paper said that it was

"a victory for private clients and common sense".

Many professionals have welcomed the further opportunity for consultation on details and the prospects for progress—now confirmed—towards the gilt strip facility which I and my hon. Friend the Member for Beaconsfield have described. I am glad to hear that my hon. Friend's main concerns have been met.

In the context of valuations, he asked whether the so-called kink test fits well with gilt strips—we must leave others to judge the terminology. The issue is of some interest to my hon. Friend, but I hope that he will forgive me if I do not give a precise answer now. I am aware of some questions about the issue.

The fate of the so-called kink test is tied up with wider questions about the handling of the transition that the Revenue will need to develop and discuss further. It is our firm priority that the transitional rules should be seen to be fair and workable. I am sure that my hon. Friend will contribute to that debate.

He also asked about the drawing of the line, and whether any private investors should be included in the reform. As I think he understands, some 4,000 people will be above the threshold. In setting any line, there is always an element of judgment, but a high threshold has two results. It protects the Exchequer, while retaining the bare minimum of detailed provision to deter tax-driven investment strategies.

With no threshold at all, we would face an unattractive choice between open-ended Exchequer costs and retaining or even increasing the full and sometimes ugly apparatus that we all want to get rid of. We think that the threshold that we have chosen for private investors strikes the right balance between cost and complexity and the concerns of private investors.

My hon. Friend said that, for those above the threshold, the larger investors, there will be an additional gain, in that any capital losses that they may have incurred will be eligible for relief under the proposals. That may appeal to his friend who has a large holding.

We have set out the basic principles. There are many matters to discuss and much detail to fill in, as the ideas are worked up into their full legislative form. Many of those ideas are outlined in the Revenue's press release that was issued at the beginning of the week, and the Revenue will approach them all in a constructive spirit.

This is a valuable reform. It will improve the competitiveness of the City and make life simpler and easier for companies. At the same time, it must respect the concerns of private investors, and I think that our package achieves that proper balance. I am grateful to my hon. Friend for continuing to press this matter in debate, and for giving me the opportunity to put on record the current position on this important matter.

Cannabis (Therapeutic Use)

1.59 pm

Mr. Paul Flynn (Newport, West): This is a matter of enormous importance because it affects the suffering of many thousands of people in Britain. By a simple decision made now by the Minister, we can today not take any path that is new or daring but go back to the position that existed in 1971. By doing so, we will decriminalise not the recreational use of cannabis but many people who use cannabis now because they regard it as essential for their needs or their family needs. Those people will stop being branded as criminals. Now they seem to be breaking the law.

Perhaps it is best to say what we are not proposing or debating this afternoon. There is no question of any proposal to decriminalise cannabis or increase its availability as a recreational drug. Neither is there a proposal to make cannabis available as a medicine on every chemist's counter for every minor complaint such as headaches, stomach aches or whatever. We are urging the Minister and the Government today to allow cannabis to be prescribed for a certain number of identifiable conditions that are all serious. Those conditions are multiple sclerosis, glaucoma, the effects of chemotherapy, cerebral palsy, spasm and terminal illnesses.

We know that a strong demand for decriminalisation is coming from the association that has been set up to make the point. The demand rightly comes not from politicians but from patients, from the families of patients and from the medical profession. We are debating the matter today because a meeting of the Alliance for Cannabis Therapeutics took place in October last year at which I believe that the Minister was present. He answered questions at the meeting and he has answered parliamentary questions on the matter.

We want to take the issue forward from what was said at that meeting. I understand that it was a friendly meeting and people shared a great deal of common ground. An all-party group went along to the meeting. It included members of two parties and a letter of support was sent by a third party. Today I have received expressions of support from hon. Members in all parties in the House. So the matter is not party political.

The Government agree with our main case, which is that cannabis is effective in relieving pain. There is a wealth of evidence that for certain patients afflicted by one of the illnesses that I have mentioned cannabis provides a unique palliative for the torments of pain. The measures that we advocate can be introduced without interfering with Government policy. We accept the reality of Government policy on all drugs, but we believe that our argument today chimes precisely with Government policies on drugs, Home Office policies and even the Government's policies on deregulation and choice.

At the meeting with the alliance, the Government side accepted the therapeutic qualities of drugs. Their objections included one from the Home Office that any move to allow cannabis to be prescribed therapeutically would send a wrong signal to the rest of the country. The Government representatives also said that the Department of Health did not want to give any approval to smoking. I believe that those arguments can be answered well.

Cannabis was prescribed until 1971. Whatever signal was given then had no apparent effect. There was not a sudden rash of cannabis taking or abuse because it was prescribed to a small number of people, just as it would be prescribed if our plea today was accepted. There is clearly an understanding in the minds of the public and the medical profession of the distinction between cannabis for recreational use and cannabis for therapeutic use.

No poll of any great merit has ever suggested that recreational use of cannabis is regarded by the majority of the public as desirable. However, a poll in *The Independent* some time ago showed that 75 per cent. of all doctors and 70 per cent. of the general public wanted to see cannabis prescribed therapeutically. So the distinction exists in people's minds. We do not have to worry about wrong signals.

I agree entirely with Ministers about smoking. No one in the House wants to increase the number of smokers of anything—herbs, tobacco or cannabis. Smoking any substance brings the same problems of bronchitis and heart disease, even if not cancer, but that is not the point. We know that cannabis can be used in a variety of ways. A vaporiser is used in America. There are inhalers. Cannabis can be taken in the form of a food, a drink, a patch or a tincture. Those are all acceptable ways to divorce therapeutic use from the recreational use of cannabis. So smoking is not the problem.

Distinguished scientists attended the meeting at the Department of Health. Professor Wall, a distinguished scientist at St. Thomas's, gave interesting evidence on which he has since enlarged on—I hesitate to use the word—endogenous receptors in the brain. He made the point that the arguments were not the same old arguments which were about in the 1970s and 1960s. When cannabis was withdrawn, it was not because it was thought that prescribing it sent the wrong signals but because it was used only as a sedative at that time. Various other sedatives were available, so there was no need to prescribe cannabis as a sedative.

New knowledge about cannabis has been discovered in the past 25 years. According to the theory of endogenous receptors, our brains can produce one of the active elements in cannabis. We are all familiar with the odd moments of unexplained joy and euphoria that we have from time to time—frequently in the House, of course. Our bodies are remarkably clever machines. They can produce all kinds of chemicals, including many painkillers. So we know that there is a natural source of an element of cannabis in our bodies.

One of the objections, strangely enough, to the derivative of cannabis that has been used—nabaline—is that, although it is a part of cannabis, it has caused more problems than natural cannabis. So there is a strong case for using cannabis in its natural state. Dr. William Northcott, who is an expert in treatment of pain and runs a pain clinic, said that he saw many patients who did not respond in any way to conventional medicine, but who obtained relief as a result of cannabis, which he could not prescribe, although he routinely prescribed much more powerful and addictive drugs, including heroine and cocaine. So the mild, non-addictive drug is banned and the more powerful addictive drugs are permitted—and used in enormous quantities.

The Government have used the argument about willow bark, which is an interesting one. They say that cannabis is a complex substance, and it is indeed complex. There was a time when people sucked willow bark to obtain the active substance in it, which is aspirin. We can go on from there and say that we cannot delay any longer removing

the ban on cannabis. It is used today by thousands of people. It has been used since the time of the Assyrians. It has been used for at least 5,000 years. The people who built the pyramids in Egypt knew that cannabis was good for eyes. It was used for what is now known as glaucoma. It reduces the pressure in the eyes by as much as a third. The Egyptians knew that then. We lost that knowledge. It was a forgotten medicine, but we know about it now. It was used by tens of millions of people in every continent for thousands of years. There is not one case of anyone being poisoned by it or having a toxic reaction to it.

We need more research. I am sure that the Minister will say that in his speech. We need to understand which of the substances in cannabis are psychoactive and which are analgesic. But that is no excuse for delaying allowing cannabis to be used in its natural form.

Mr. Austin Mitchell (Great Grimsby): I do not oppose my hon. Friend's argument. Indeed, I strongly support it and I took a delegation to the Minister at the end of last year. My hon. Friend is exactly on the point. Cannabis should be available on prescription under medical supervision for the relief of pain for certain specified conditions. That is all that we ask. Even if the Government's reason for the long delay in considering that proposal is that more research is needed, it will be difficult to carry out research unless cannabis is available, as it was before 1973, for the treatment of those specific conditions. The research is conditional on the availability.

Mr. Flynn: My hon. Friend is right. There have been strict limits on availability. At the time of the meeting it was not available at all.

It is fascinating that pain specialists have pointed out that they are well used to using drugs which have not been formally trialed or even licensed. The gentleman to whom I referred previously said that, with the majority of his patients, only single trials are conducted before a treatment is introduced. If that did not happen, the treatment that he gives in his pain clinic would be stopped in its tracks. He has to continue to use drugs such as amitriptoline, depo-medrone, sodium valproate, clobazam and flecainide which are unlicensed for use in pain relief. If that can be justified, so can the use of cannabis in its present form.

The most persuasive evidence does not come from the great litany of experts and bodies of chemists who want this change and whom I could spend the rest of the afternoon quoting. More persuasive is the evidence of people who are criminals in the eyes of the law, who are listening to us now and whose lives have been affected by cannabis.

One of the most moving articles that I have ever read was by Carol Howard, who is listening to me now, about the death of her daughter Sara, Sara was in her 20s and died of a rare cancer. She was nursed by her mother. She suffered chemotherapy in the final period of her life and her mother writes movingly in a searing document about her. Her mother used cannabis to help that young woman and has told me within the last hour of that fact. She says that cannabis was the only drug that provided any true or lasting relief. However, in the final phase of her illness that young person was filled with heroin and morphine in a form that has a devastating effect on people. If the choice is between morphine, which often turns people in addition to their health problems into zombies and using a drug which allows them to continue to converse and communicate with loved ones into their final hours, why on earth can we not allow people to continue to use it?

There is another lady who uses the drug. She is the mother of two teenage children and finds that the only relief that she can have from multiple sclerosis and its many symptoms is to use cannabis.

Mr. Michael Connarty (Falkirk, East): I am grateful to my hon. Friend and congratulate him on obtaining a debate on this very important subject. It has been said that beta interferon, which people are pleading to have available on prescription in this country for sufferers from multiple sclerosis, will not be available until it has been through trials. People find that they can get relief from some of the most dangerous and soul-destroying tremors of MS by using cannabis. If the Government are determined to trial beta interferon and probably delay its use for another decade, they should hear this plea for the use of cannabis as a prescribed drug for MS.

Mr. Flynn: My hon. Friend is right. I wrote an article recently in *The Independent* about drugs in general. As someone who is fanatically opposed to the taking of medicinal drugs, I tried to make the point that there are only two sorts of drugs: those that we know have very nasty side-effects and those whose nasty side-effects we have yet to discover. We know that there are problems with every possible drug that we can discuss. No drug that civilisation has encountered has had the trial in practical circumstances that cannabis sativa has had. It has been used by many people over a period of years without the reactions which have occurred with thalidomide, eraldin, opren and a whole host of other drugs which have made a lot of money for the drugs trade but have poisoned and killed many people.

Mrs. Teresa Gorman (Billericay): I sympathise with the hon. Gentleman's point. That is why I have come to hear the debate. I apologise for being a little late. Is it not true that hemp drugs such as cannabis, which are widely used in the east, especially in India, are natural drugs and that the opiates which are widely used in and China and the far east are natural substances? We tolerate alcohol and tobacco, which are acceptable drugs in our society. Is there not a big difference between such substances, which have been used for centuries and about which we know a lot, and the sort of artificial chemicals that the hon. Gentleman has described, which can devastate bodies because they are not natural?

Mr. Flynn: The hon. Lady is right. That is precisely what happened with the derivative of cannabis that has been used as a substitute in hospitals. There have been problems with that which have never occurred with cannabis in its natural state, which comprises 64 different elements.

Mr. John Austin-Walker (Woolwich): Will my hon. Friend also confirm that cannabis is non-addictive, unlike tobacco, alcohol and some of the other drugs mentioned?

Mr. Flynn: Indeed. It is clear from a wealth of medical evidence that cannabis is not an addictive drug.

I must mention some other cases. I find myself greatly moved by the personal circumstances of many people who have nursed relatives who are terminally ill and the beautiful stories of how radiance came back into their

[Mr. Flynn]

faces after taking cannabis—a radiance absent when they were on conventional drugs. I see also the pain on other faces—of people who bravely say that they are taking cannabis or giving it to relatives. The law says that those people should be thrown into gaol or fined £2,500 and criminalised. There can be no sense in continuing with such nonsense in respect of a mild, benign drug. But that is the law.

One case involved a man who was looking after his 48-year-old wife who was in the prime years of life. He was visited by Customs and Excise, although the matter was not pursued as far as a charge. Another case involved a doctor who prescribed cannabis for her seriously ill daughter. That case went to court. The law is unenforceable. There is not a judge or jury in the country who would dare act against someone behaving in a humanitarian way to their loved ones. The law is stupid and no one can defend it.

The Minister cannot hide behind the nonsense of saying that we need more research, which is his defence. We need more research into every possible aspect of medicinal drugs. There is no drug like cannabis which has had such a trial over the centuries. As we heard from the hon. Member for Billericay (Mrs. Gorman) said, who has a background in chemistry, in its natural form it is acceptable and safe.

We know that there are problems. Cannabis should not be given to people suffering from schizophrenia or those who are engaged in driving or other activities which might be affected by the psychoactive parts of the drug. Such circumstances must be taken into account by anyone prescribing it. However, there is overwhelming evidence from thousands of patients that for glaucoma, multiple sclerosis, cerebral palsy, spasm and muscular illnesses cannabis is the only drug that can be used.

The case of chemotherapy has recently come up. Many people taking that terrible treatment suffer from continuous nausea. Conventional medicines do not work, but cannabis has been found to be effective in many cases. Who dares to deny those people that medicine? Many hon. Members in this House would never dream of breaking the law on anything, but any of us would recommend it if our relatives were suffering such nausea and there was no alternative. What do people do now to get the drug? They can only get it on the street or grow it themselves. One brave lady from Cardiff, who is not 100 yards away from me—

Mr. Deputy Speaker (Sir Geoffrey Lofthouse): Order. The hon. Gentleman must not refer to people in the Gallery.

Mr. Flynn: Clearly, there is no one here but the lady might be listening to me on the radio. I shall not refer to her again. However, the lady in question bought a cannabis plant. She does not have the dexterity to roll her cannabis cigarettes herself but keeps them in a lovely silver cigarette case that she has placed near a bust of Queen Victoria because Queen Victoria took cannabis every month of her adult life and lived to a great age, thus demonstrating the drug's lack of ill effects. Many other people took the drug at that time.

The Government cannot continue to hide behind the claim that additional research is needed. Research could continue for many years and might produce a result only in five, 10, or 20 years. The argument needs to be resolved now. The Minister is known to be a humane and compassionate man who is respected by every hon. Member. He has the possibility to do something that all politicians would love to do—he can relieve the pain of hundreds of thousands of people, stop many people being criminals and take a major step towards the provision of respite.

Many patients cannot be treated for their terrible illnesses with the proper medicines that doctors would like to use. That charade must be stopped. On behalf of the many law-abiding people who are nevertheless breaking the law, those who are denied the best treatment, those who are in pain but cannot get relief, and those who see others in terrible pain, I appeal to the Minister to announce a minor change in the law and a return to what it was in 1971.

2.21 pm

Mr. Tony Banks (Newham, North-West): I am grateful to my hon. Friend the Member for Newport, West (Mr. Flynn) for his eloquent summary of the arguments. I endorse the sentiments that he expressed. The Minister is known to be a compassionate man: indeed, I regard him as the acceptable face of Conservative extremism. Is there any conflict between the Department of Health and the Home Office? Is it not a fact that the real problem lies with the Home Office rather than with the Minister's Department?

This morning I took part in a phone-in on the BBC. The hon. Member for Dover (Mr. Shaw) and I were asked how we would tell a person suffering from multiple sclerosis and who was in a wheelchair and in great pain that cannabis was to be denied to them because it was illegal for a doctor to prescribe it. I invite the Minister to contemplate that question when he replies. I am sure that in his heart he is persuaded by our arguments. We should all be grateful to hear him say so from the Dispatch Box.

2.22 pm

The Parliamentary Under-Secretary of State for Health (Mr. John Bowis): I am grateful to the hon. Member for Newport, West (Mr. Flynn) for raising the issue and to hon. Members of both parties for chipping in. I am also grateful for the kind comments which I imagine have something to do with those moments of high joy and ecstasy that the human brain can experience and to which reference has been made.

This is a serious matter which affects many people. There is a great deal of pain, but there is also a great deal of hope that cannabis may become available as a prescribed drug. I understand that, but, in the short time available, I must set out the Government's position. I shall not dwell on the recreational misuse of cannabis. On the basis of what the hon. Member for Newport, West said, I think that he and I agree about that. I shall deal with the therapeutic use of cannabis.

We have received a number of representations claiming that cannabis is effective in treating some of the symptoms of multiple sclerosis and other conditions, some of which the hon. Gentleman mentioned. In October, I met the hon. Member for Great Grimsby (Mr. Mitchell), Lord Whaddon and representatives of the Alliance for Cannabis Therapeutics to hear the case that cannabis should be made available for medicinal use. I

agreed then to give careful consideration to the points put to me. Since then, the hon. Gentleman has written to me and acknowledged that it is not something to be rushed, although we need to move as fast as is sensible.

The therapeutic use of cannabis is a complex issue. It may be helpful if I deal more fully with some of the important considerations related to it. Under section 7 of the Misuse of Drugs Act 1971, cannabis and certain other controlled drugs, such as raw opium and coca leaf, have been designated as drugs which it is in the public interest for their production, supply and possession to be either wholly unlawful or unlawful except for the purpose of research or other special purposes, or for it to be unlawful for doctors to prescribe or supply except under licence from the Home Secretary. The controls imposed by the Act conform with the international restrictions covering those drugs.

It has of course been claimed—and it may be so—that specific medical conditions could be improved by the use of cannabis, but everyone agrees that we need to consider such a claim carefully before deciding to allow the use of cannabis as a prescribed drug. As for any other unlicensed product, the supporting data would need to be presented to the Medicines Control Agency, which in the usual way would evaluate any application made to it by a sponsor seeking a product licence. I understand, that if a product licence were issued by the MCA, the 1971 Act controls could be modified to make such a medicine available to patients. Any change in the controls would not, of course, extend to non-medical use.

I have heard it said that cannabis was available for many centuries, and certainly for medicinal use prior to 1973, so its legal use could simply be reinstated. That is not possible. The decision to stop the medicinal use of cannabis was based on the evidence available at the time, which was that cannabis was no more effective than other available drugs and followed on from the advice of the World Health Organisation at the time. Since 1973, all drugs currently on prescription have undergone a stringent review of their safety, efficacy and quality, and it would be wrong simply to reinstate cannabis without such a review being undertaken. A company seeking a product licence would therefore have to present evidence of the drug's safety, efficacy and quality to the MCA in the usual way.

There are side effects from the use of cannabis. There is convincing evidence that for some people cannabis gives rise to acute and transient mental disturbance and may be implicated in drug-induced serious mental—or psychotic—illness. For regular long-term users, there is some research evidence of damage to the testes, liver and lungs. It is not a matter of dispute that in the short term cannabis can make users light-headed and unable to concentrate, which can affect their ability to drive a vehicle, operate machinery or make sound decisions affecting work, leisure or daily living. The more potent version of cannabis—skunk cannabis—has a higher level of tetrahydro-cannabinol. Because THC is fat-soluble, it tends to accumulate and can damage organs.

Most drugs have side effects, and a relevant consideration—

Mr. Flynn *rose—*

Mr. Bowis: I must press on in an attempt to deal with the points that have been made.

A relevant consideration is whether the benefits of the drug are sufficient to outweigh the risks, which is why companies seeking to market drugs have to provide evidence of their safety, efficacy and quality.

The form in which cannabis would need to be available for use as a medicinal product in a controlled dose is another consideration. As the hon. Member for Newport, West said, nobody wants to see reefers being prescribed. The matter of form is also in the first instance for a company seeking to market such a product.

The representations that I have received include a wealth of anecdotal evidence of the efficacy of cannabis in treating some of the symptoms of multiple sclerosis and other conditions. In matters as important as those affecting people's health, however, scientific research-based evidence is what we need. Although the hon. Gentleman predicted that I would say that we needed more research, such a statement has to be right. As yet, conclusions of available research are not very convincing owing to the limited scope of the projects, the use of small cohort groups or the lack of suitable scientific methodology.

It may be that further research is needed, and I understand that the Multiple Sclerosis Society of Great Britain and Northern Ireland is taking positive steps to encourage trials by offering support to researchers. The main agency through which the Government sponsor medical research—the Medical Research Council—is always willing to consider scientifically sound proposals.

It may be helpful if I also remind the hon. Gentleman that current legislation does not prevent research into the medicinal use of cannabis, provided that a Home Office licence has been obtained for that purpose. I can tell the hon. Gentleman that there is no difference between the Home Office and the Department of Health on this matter. For the purposes of a clinical trial which involves the sale or supply of medicinal products and various other specified activities, a clinical trial certificate or a clinical trial certificate exemption would also have to be obtained from the Medicines Control Agency.

We are aware of the distress experienced by people suffering from multiple sclerosis and other conditions and we have been carefully considering the representations that have been made. I remind the hon. Gentleman, however, that we are committed to ensuring that patients receive the drugs that they need to treat their clinical conditions. If a medicine is brought forward and approved by the MCA, the controls under the Misuse of Drugs Act—for which the Home Office is responsible—could be modified to make such a medicine available to patients. If the regulations were amended, the decision to prescribe a particular drug would depend on the clinical judgment of the doctor concerned. The trouble is that we have not yet reached either of those two stages, but I assure the hon. Gentleman that we shall watch developments carefully and fairly.

It being half-past Two o'clock, the Motion for the Adjournment of the House lapsed, pursuant to Order [19 December].

Oral Answers to Questions

TRADE AND INDUSTRY

Unsafe Products

1. **Mr. McAllion:** To ask the President of the Board of Trade what further representations he has had from the organisations representing consumers about improving recall procedures for unsafe products. [32115]

The Parliamentary Under-Secretary of State for Corporate and Consumer Affairs (Mr. Jonathan Evans): I have received no recent representations on this matter, but the Government have in place powers which allow enforcement authorities to remove unsafe consumer products from the market. Those powers are complemented by powers to require public warning notices if necessary.

Obligations to comply with consumer safety legislation, as well as the adverse impact of product liability claims, also provide business with clear incentives to act quickly when issues of safety may arise, including undertaking recalls when appropriate.

Mr. McAllion: Is the Minister aware that as many as 3,700 Citroen ZXs are being driven with potentially lethal footbrakes due to a manufacturing fault? Will he speak to Vauxhall about the 330,000 cars on the road with wrongly fitted airbag sensors, or to Renault about the 1,000 Espaces which can burst into flames at any moment?

Consumer groups are telling us that the recall procedures are shambolic and ineffective. What is the Minister going to do about that? Is it not time that he put the interests of consumers before, not after, the interests of the big companies that dominate our car industry?

Mr. Evans: For goods in the business supply chain, there are already in place quite stern measures of enforcement of the sort the hon. Gentleman desires. The point that he is making goes beyond the business supply chain to when the goods are in the hands of consumers. As I indicated in my main answer, when any difficulty arises in relation to product safety, there is a very clear incentive for manufacturers to deal with such matters by means of proper recall procedures.

The hon. Gentleman might be aware that the Department has been involved with the British Retail Consortium, the Association of Manufacturers of Domestic Electrical Appliances and the Consumers Association in creating very clear guidance to cover the sort of points to which he referred.

Privatised Utilities (Directors' Pay)

2. **Mr. Jon Owen Jones:** To ask the President of the Board of Trade if his Department intends to compile information on directors' pay and share options in the privatised utilities, with particular reference to the regional electricity companies. [32117]

10. **Mr. Pike:** To ask the President of the Board of Trade what representations he has received about the need for measures relating to excessive pay and share option increases by the executives of privatised utilities. [32126]

11. **Ms Eagle:** To ask the President of the Board of Trade what plans his Department has to compile information on directors' pay and share options in the privatised utilities. [32127]

The Minister for Industry and Energy (Mr. Tim Eggar): Remuneration in the private sector is a matter for the companies concerned and for their shareholders.

Mr. Jones: Will the Minister explain why the Government chose not to use their golden share to prevent the directors of the regional electricity companies paying themselves huge salaries and topping them up with gross share options, to the disgust of consumers and the general public alike?

Mr. Eggar: Under the terms of the golden share, it could not be used for that purpose. That was very clear when the companies were floated. The hon. Gentleman ought to do more research. He appears not to be aware that the right hon. Member for Sedgefield (Mr. Blair), who led for the Opposition on the Electricity Bill, never once, throughout the entire passage of that Bill, raised on the Floor of the House or in Committee the issue of share options. The hon. Gentleman ought to be asking his right hon. Friend the question.

Mr. Pike: If the Greenbury committee does not ultimately yield proposals which act in the best interests of consumers and the public, and stop the excesses, what will the Government do to protect the interests of the public and consumers?

Mr. Eggar: In terms of the monopoly utilities, which will, of course, shortly be exposed to the competitive market, consumers do not suffer from excessive payments to directors because, under the way in which the regulation works, any increase in pay comes off the return to shareholders. It is not added to the costs to consumers. The hon. Gentleman should understand that.

Ms Eagle: Is not the Minister being terribly complacent when he says that that huge issue of public concern is not a matter for the Government? Has not the Prime Minister himself said that he finds the increases distasteful? Is not the real problem the fact that the Government do not want to do anything about them, yet the public out there are disgusted by the huge, excessive increases that executives are paying themselves and want action? When will the Government take action?

Mr. Eggar: Nobody condones excessive pay increases or remuneration packages, but the hon. Lady fails to recognise the considerable contribution that the privatised utilities have made to reducing bills. For example, if the announcement that Professor Littlechild made last week is implemented, it will result in a £9 reduction in the average electricity bill for the average consumer. Moreover, there has been a 40 per cent. real decrease in industrial gas prices as a result of the introduction of competition. That is good for consumers, both domestic and industrial.

Mr. Congdon: Does my right hon. Friend agree that the concerns expressed by the Opposition about executive pay must be set against the real benefits that privatisation has brought to consumers? Is he aware that the customers of Seeboard have already benefited from a 20 per cent. reduction in the standing charge, and will benefit from a further 25 per cent. reduction later this year? Does that

not show that privatisation has worked to the benefit of consumers, who would not have benefited if we had listened to the siren voices of the Opposition?

Mr. Eggar: My hon. Friend is right. If the industries had still been nationalised, we should be seeing rising rather than falling prices, massive overmanning and inefficiency. My hon. Friend might be aware that, as a result of the recent announcements on electricity prices, the average electricity consumer may spend about £75 less on his electricity bill in the coming year than he did last year. That represents a considerable benefit to the individual consumer.

Mr. Salmond: Does the Minister have a personal view about the actions of Richard Giordano at the British Gas annual general meeting, where he exercised the block vote to defend the pay and perks of his fellow executive directors? Does not that sort of behaviour make nonsense of Government claims that it is up to shareholders to restrain excesses? What changes, if any, in company law does the Minister think could be introduced to make a reality of shareholder democracy?

Mr. Eggar: The hon. Gentleman and the rest of the Opposition do not seem to recognise that such issues are the responsibility of the private sector directors and the chairmen and boards of the companies. What Mr. Giordano has said is a matter for him. Of course the Government will take account of any recommendations by the Greenbury committee when we receive them, and if appropriate we shall not hesitate to legislate.

Mr. Bill Walker: Does my right hon. Friend agree that, at private sector annual general meetings, it is not only the final vote but the atmosphere in which the meeting is conducted that matters? If a meeting believes that members of the board have been given more than they are entitled to, perhaps people should reflect on the fact that for every pound that those individuals receive, 40p goes to the Chancellor of the Exchequer.

Mr. Eggar: Of course the taxpayer benefits from the contribution made by individuals who receive high wages. At the end of the day what matters to consumers is the fact that their bills come down in real terms. That has been achieved for both gas and electricity as a direct result of Government policies that the Opposition have consistently opposed.

Mr. Wilson: I congratulate the Minister on his effrontery, if on nothing else. I am sure that he is aware of the Library's independently researched finding that the price of electricity has increased since privatisation. If he wants to argue about that let him argue with the Library, but will he cease to restate the misleading information that he has repeated over and over again today?

Is he aware that, in the few days since an American company acquired a stake in South Western Electricity, the share options held by the four directors of the company have increased in value by £322,000? Is that what passes for enterprise in Tory Britain today? Are not share options in the privatised utilities a disreputable and discredited scam, organised by the beneficiaries in their own interests under licence from the Government? It seems as if the new President of the Board of Trade intends to do as much as the previous one to end the abuses—absolutely nothing.

Mr. Eggar: Not for the first time, the hon. Gentleman is wrong. There has been a real decrease in electricity prices of 8 per cent. in the past two years, and we can look forward to further considerable decreases in electricity prices in real and perhaps nominal terms in the coming months.

With regard to the hon. Gentleman's other point, why do the Opposition constantly peddle the politics of envy? Why do they never take into account the positive benefits that flow directly to the consumers that have resulted from the policies followed by the Conservative party?

Small Businesses

3. **Mr. Hendry:** To ask the President of the Board of Trade what support is given by the Department to encourage small businesses; and if he will make a statement. [32118]

The Parliamentary Under-Secretary of State for Small Firms, Industry and Energy (Mr. Richard Page): The Government recognise the crucial role played by small firms by keeping inflation and interest rates low and by reducing legislative, administration and taxation burdens. They also provide direct assistance where appropriate. This includes finance, specialist advice and support in a variety of areas including innovation and technology, exporting and design.

The new business link network is revolutionising the delivery of business support services. From April 1996 it will be the normal delivery route for all DTI services.

Mr. Hendry: Does my hon. Friend agree that one of the most important ways in which the Department can help small firms is by helping them to finance their growth and development? Does he further agree that the loan guarantee scheme has played an important part in that process? As a number of firms cannot take advantage of the scheme, will my hon. Friend undertake to keep it under review, so that it may benefit as many firms as possible?

Mr. Page: I am grateful to my hon. Friend for his kind words about the loan guarantee scheme. As he has been so generous, I shall reveal that, along with my hon. Friends the Members for Surrey, North-West (Sir M. Grylls), for Hampshire, North-West (Sir D. Mitchell) and for Mid-Kent (Mr. Rowe), I was responsible for pushing for the introduction of such a scheme at the beginning of the 1980s. Applications for the scheme are at a record level, which is indicative of the confidence that is building throughout the UK economy. A review of the scheme is taking place so that we can focus our efforts to try to help British small businesses even more.

Mr. Harvey: The Minister will recall that, in the Budget two years ago, the Chancellor of the Exchequer announced that it was the Government's intention to bring forward measures to address the problem of the late payment of commercial debt. Given that the previous President of the Board of Trade—he has now gone to greater offices, both literally and metaphorically—always seemed to be implacably opposed to any such measures, can we anticipate that the Government will now bring forward measures to give effect to the promise made two years ago?

Mr. Page: If statutory instruments were the magic bullet to solve the problem of late payment, I would sign up along with everyone else. I am afraid that life is more

complex than that. Surveys have suggested that the majority of late payments are due to disputes about the terms of a contract and about whether goods have been supplied. Surveys by Grant Thornton have shown that payment periods in the United Kingdom are coming down, that we are improving against the rest of the European Union and that we are doing better than most countries which have a statutory right to late payment.

We are encouraging support for the Confederation of British Industry's code of conduct regarding practices of payment. As the Minister for Small Business—from, I believe, 11.30 this morning—I can say that the Department is working towards a British standard regarding prompt payment. I can also recommend the Department of Trade and Industry's free leaflet on making cash flow to help late payment.

Mr. Wilkinson: In his list of measures to encourage small business, my hon. Friend rightly included the reduction of taxation. Between now and the Budget, will his Department make representations to the Chancellor of the Exchequer suggesting that small incorporated companies be exempt from corporation tax below a certain threshold, just as individuals are below a certain threshold for income tax, as small businesses are usually under-capitalised and must expand on the basis of the profits that they can retain?

Mr. Page: I note what my hon. Friend says. He will understand if I do not give a direct answer, but I understand the reasoning behind his question. Since 1979, the Government have reduced corporation tax for smaller businesses from 42 per cent. to 25 per cent. in order to help small businesses.

British Coal Enterprise

4. **Mr. Bayley:** To ask the President of the Board of Trade how many new jobs have been created by British Coal Enterprise. [32119]

Mr. Page: British Coal Enterprise estimates that it has helped with the creation of 51,300 jobs through its business funding activity and 15,000 jobs through its workspace activities. Through its job and career change scheme, BCE has also provided help to some 57,000 ex-employees of British Coal seeking work. Of those, BCE estimates that some 50,000 found jobs, either directly or following a period of retraining.

Mr. Bayley: Many hon. Members from mining areas might dispute those figures. Nevertheless, British Coal Enterprise has invested considerable sums of money in former coalfield communities. If that is good for the coalfields, why is it not good for the railways? What plans do the Government have to set up a British Rail Enterprise to replace the tens of thousands of railway jobs that have been lost as a result of privatisation?

Mr. Page: I am the first to pay tribute to the work done by British Coal Enterprise in providing jobs for people in former mining communities. Providing jobs for ex-railway workers is a matter for the Secretary of State for Transport. I look the hon. Gentleman straight in the eye and say that I fully accept that difficulties have arisen in his constituency as a result of the unemployment caused by the closure of a railway manufacturing company. However, in his travel-to-work area, unemployment is only 5.7 per cent., which is way below the national average. There should, therefore, be a good chance of people finding work in his constituency.

Crown Post Offices

5. **Mr. Bill Michie:** To ask the President of the Board of Trade if he will make a statement on the future of Crown post offices. [32120]

The President of the Board of Trade and Secretary of State for Trade and Industry (Mr. Ian Lang): The location and ownership of post office outlets is a matter for the board.

Mr. Michie: I am sure that the House and people outside are interested to know how much support the Government have from consumer organisations for the possibility of privatising and franchising Post Office Counters. People outside are saying that Crown post offices should be given freedom of access to funds so that they can once again create a service that is appreciated by the vast majority of the nation. Why are the Government prejudiced against a public enterprise that works and is appreciated?

Mr. Lang: I presume that the hon. Gentleman is aware that 95 per cent. of all post offices are already in the private sector. What we are talking about with regard to the Crown offices is not privatisation but providing better services in a more responsive way in the interests of the public. It is clear from the success that has been established with those offices that have been transferred to agency status that the services have improved and customer satisfaction has risen.

Mr. Gallie: First, may I commiserate with my right hon. Friend on giving up the great office of Secretary of State for Scotland? That shows great sacrifice in the interests of the Union, because I am sure that he will do remarkably well in his current national post. May I also remind him that, in recent times, there has been great concern about post offices in rural areas? May I point out that the lottery, gas companies that now offer a bill payment service through post offices, and a range of other matters linked to privatisation offer a great future for post offices in rural areas? Will my right hon. Friend bear that in mind when he deals with the matter in future?

Mr. Lang: I thank my hon. Friend for his opening remarks. As one of my colleagues said to me, I have moved from the position of viceroy to that of president. I can live with that happily, and I hope that my hon. Friend will support me as I seek to ensure that the rest of the United Kingdom achieves the lower unemployment that we have in Scotland, the higher productivity and the greater exports per head of the population that Scotland has already achieved.

On the post offices, my hon. Friend is absolutely right. They operate in a competitive market, and it is important that they react to the shifting pattern of retail trade. That is part of our objective.

Brent Spar

6. **Mr. Tony Banks:** To ask the President of the Board of Trade what are the most recent communications he has had concerning the disposal of Brent Spar. [32121]

Mr. Eggar: I have had meetings and communications as appropriate with Shell on that matter.

Mr. Banks: Is it true that the Government did not consult the Natural Environment Research Council regarding the disposal of Brent Spar, and that they took advice mainly from the Scottish Office?

As we now know that, according to the Government's own figures, 32 oil rigs will reach the end of their useful life during the remainder of the century and that 13 of them might end up being dumped at sea, can the Minister really assure the House that environmental considerations are uppermost in his mind and that dumping something at sea is more environmentally advantageous than bringing it ashore? The rigs were made onshore; surely they should be dismantled onshore.

Shell is worried only about its budgets, its income and its money. It is not at all concerned about the environment. It is about time that the Government shared the feeling of the great majority of people in the country that dumping at sea is unacceptable.

Mr. Eggar: There were, of course, three years of extensive studies carried out by Shell. The major document is now in the public domain, and has been since 16 February.

The Brent Spar is now moored in a Norwegian fjord. Shell is inviting an independent inspection entity, DNV, to inspect and analyse the allegations that have been made by Greenpeace and to report on them fully and independently.

As for the environmental damage that the hon. Gentleman claims will be done to the deep sea and the Atlantic, I shall quote Dr. Tony Rice, an independent scientist and probably the leading independent deep sea biologist in the country, who said that the most likely impact of deep sea disposal of Brent Spar was

"the death of a number of worms on the sea bed".

Mr Banks *indicated dissent.*

Mr. Eggar: It is no good the hon. Gentleman shaking his head. The leading independent deep sea biologist said that, and that it was equivalent to the number of worms that would die on the ground during construction of a quarter of a mile of motorway. In his career in the House, the hon. Gentleman has taken up many lost causes, but taking up the cause of the Atlantic deep sea worm seems beyond even him.

Mr. Dover: Can my right hon. Friend confirm two things—first, that whatever method of disposal is decided on will be less environmentally pleasant than the one that has been irresponsibly thrown away by Shell and, secondly, that the cost to the taxpayer will not be greater than it would otherwise have been?

Mr. Eggar: I can confirm that Shell has informed me that the additional amount—in excess of the cost of deep sea dumping—will not fall on the taxpayer but be absorbed by the company. That is as it should be.

Future methods of disposal will now be studied. Shell came to us with the best environmental practical option. I expect it, in any proposal that it makes to us in future, to reach the same high standards of proof on the best environmental way to proceed as it did in reaching the decision that deep sea dumping was the best way to proceed. I would not rule out the option of deep sea dumping for the Brent Spar in future.

Ms Roseanna Cunningham: In view of the fact that, of the 14 reports passed by Shell to the Department of Trade and Industry, only two actually referred to onshore disposal options and, of those two, only one was referred to by Shell in its own best practical environmental option, does the Minister accept that, instead of simply leaving the matter to Shell, what we need to allay public anxiety is a properly set up independent commission to consider onshore disposal options?

Mr. Eggar: I have already made it clear that Shell has agreed to commission a completely independent audit of the Brent Spar situation and I am sure that it will ensure that the results of that independent investigation are made public. I am also intending, subject to the necessary commercial confidentialities—[HON. MEMBERS: "Ah."] That is the way it has to be. I also intend to publish the studies that have been carried out by Shell. It is clear that more studies will have to be commissioned in future months, even years, and I shall do my best to ensure that they also are placed in the public domain. I think that that is what the House would want.

We have a common interest in ensuring that the Brent Spar is disposed of in the best manner possible from an environmental point of view. The hysteria that has flowed from the Greenpeace campaign is not the best basis for taking serious decisions.

Mr. Nigel Griffiths: Does the Minister accept that, when Shell in Germany failed to endorse the disposal of the Brent Spar in the Atlantic, it left a massive gap in the Minister's credibility? He was the only one who continued to champion the environmentally damaging option, and he is now commissioning reports that he should have received a long time ago.

Mr. Eggar: That is absolutely typical of the hon. Gentleman. First, he misrepresents the position of Shell (Germany) and, secondly, he clearly prefers the opinion of Shell (Germany) to that of Shell (UK).

Dr. Spink: Does my right hon. Friend agree that it is highly unlikely that Shell will produce a compulsive case in favour of dismantling the rig onshore on environmental or economic grounds? If, perchance, there is an acceptable case for disposing of the rig onshore—either vertically or horizontally—will my right hon. Friend ensure that the work is done in our country so that our people get the jobs?

Mr. Eggar: My hon. Friend is right: there are very difficult technical issues concerning the way in which a platform storage buoy, which is designed to be vertical, can be moved to a horizontal position and then towed inshore to shallow water for disposal. That is a major environmental issue on its own.

As to where any work would be carried out if onshore disposal proved acceptable, that is clearly a matter that Shell would have to put to the United Kingdom Government. Shell has made it clear that it will discuss any disposal option with the United Kingdom Government rather than any other Government, and we will examine the type of issues that my hon. Friend has raised.

Manufacturing Competitiveness

7. **Mr. Caborn:** To ask the President of the Board of Trade what measures have been taken to improve manufacturing competitiveness. [32123]

Mr. Lang: The Government's policies since 1979 have contributed to a transformation of the competitiveness of manufacturing industry. We have reformed the labour market and our education system, cut taxes and pursued a vigorous programme of privatisation and liberalisation. The results are clear. Since 1979, manufacturing productivity has grown faster in the UK than in any other major industrialised country—after two decades in which the UK was the slowest.

Mr. Caborn: I thank the President of the Board of Trade for that answer. I do not know whether I am addressing my question to the right person in view of the Government's reorganisation, particularly in the area of competition, but I expect that the President will resolve the matter when he responds to my question.

Has the President seen the 3is report, which was released last week, about investment in small and medium-sized businesses? It underlined the points made by the Select Committee on Trade and Industry in its report about the competitiveness of United Kingdom manufacturing and in its second report about investment in small and medium-sized businesses, which showed clearly that we are yet again falling behind Europe in terms of investment. The 3is report confirms much of that serious evidence.

Does the President of the Board of Trade agree that he should put pressure on the Treasury to provide some fiscal incentives in the next Budget to ensure that there is medium to long-term investment in small and medium-sized businesses rather than to opt for the short-termism that seems to be inherent in the United Kingdom?

Mr. Lang: I certainly accept the hon. Gentleman's point that investment is important in all businesses, large and small. It is important for the Government to encourage a stable economic environment with low inflation in which businesses can undertake such investment. I am encouraged by the fact that investment in manufacturing industry has risen by 8.3 per cent. in the past year. That is a substantial rise, which I am keen to encourage further.

Mr. Anthony Coombs: Will my right hon. Friend confirm that one reason why competitiveness in manufacturing industry has risen is the 8.3 per cent. increase in investment in the past year, following a 6.75 per cent. increase in the previous year? Does he agree that one of the fiscal incentives that manufacturing industry would like and that was mentioned a moment ago is a reform of the capital gains tax regime to encourage longer-term rather than shorter-term investment?

Mr. Lang: I hear what my hon. Friend says and I have no doubt that my right hon. and learned Friend the Chancellor of the Exchequer will consider such points, along with all the other issues that he will consider before his Budget. My hon. Friend, and indeed the whole House, will agree that one of the most important ways in which large and small businesses can remain competitive is to keep down non-wage labour costs and resist the minimum wage and the social chapter.

Mr. Miller: On the evening of 6 July, I placed on the board a letter to the President of the Board of Trade and faxed his office asking important questions about competitiveness in respect of the reorganisation of science in his Department. First, will the President of the Board of Trade assure the House that in future we will receive information directly and that the press will not get it the previous day? Secondly, will he give the House an assurance that research councils that are not in the near market area will not be treated as second division organisations within his new arrangements?

Mr. Lang: I am happy to reassure the hon. Gentleman that I have taken careful note of the points that he raised in his letter. I replied to his letter today, as soon as I had announced the disposition of portfolios within the Department. My hon. Friend the Member for Esher (Mr. Taylor) is taking on the role as Minister for Science and Technology. I hope that between us we will reassure the hon. Gentleman of the importance that we attach to science and technology—alongside the other activities of the Department of Trade and Industry—in its own right and as a way of improving the competitiveness to which we are all committed.

Sir Michael Grylls: Does my right hon. Friend accept that he will have the enthusiastic support of all British industry if he continues to resist vigorously—as the Government have done until now—unnecessary social charges from the continent of Europe that have done so much to ensure that Europe created fewer jobs than either Britain or the United States in the past 20 years? That is crucial to competitiveness.

Mr. Lang: I absolutely agree with my hon. Friend. It is significant that in the past year employment in manufacturing industry in the United Kingdom has risen by no fewer than 31,000 jobs. In the past two and a half years, unemployment across the economy as a whole has fallen by well over 600,000. That is in sharp contrast to many countries in the rest of Europe that are burdened with excessive social costs.

Mr. Skinner: Can the Minister tell us why the Government do not seem to practice a great deal of competition within the Department of Trade and Industry when it comes to handing out contracts, for example, for the refurbishment of No. 1 Victoria street? Can he tell us more about the internal inquiry that is taking place? I assume that he has been informed about the letter that I set him quite recently referring to the fact that top officials at the DTI were gallivanting around the world and being handed big raffle prizes, although they had not entered a raffle, and then some very uncompetitive tenders and bids were handed out to the favoured few. Is it not time that the scandal was sorted out?

Mr. Lang: I can reassure the hon. Gentleman that the new headquarters of the Department at Victoria street were built under the private finance initiative. As for his letter, my hon. Friend the Minister for Science and Technology has sent the hon. Gentleman a full and detailed reply today.

Competitiveness

8. **Mr. Jenkin:** To ask the President of the Board of Trade what responses he has received to his Department's second White Paper on competitiveness; and if he will make a statement. [32124]

Mr. Lang: The White Paper "Competitiveness: Forging Ahead" has been widely welcomed by industry, including major representative bodies, such as the CBI,

the Engineering Employers Federation and the Chemical Industries Association, as well as many of our major companies.

Mr. Jenkin: Returning to a theme raised earlier, does my right hon. Friend agree that a suitable tax regime is vital to competitiveness and that Britain currently has the most punitive capital gains tax regime among the Organisation for Economic Co-operation and Development southern countries? Is it not welcome therefore that noises emerging from parts of the Government suggest that that regime is under review? Will he use his good offices as President of the Board of Trade to push for a sensible reform to reduce the burden of capital gains tax?

Mr. Lang: I shall certainly ensure that my right hon. and learned Friend the Chancellor of the Exchequer is aware of my hon. Friend's concerns on that. My hon. Friend will, of course, agree that the reduction in corporation tax for both large and small companies has been one of the driving forces behind the successful growth and expansion of the economy in recent years.

Mr. Purchase: Given that the driving force for competitiveness is investment and the fact that investment in this country is at the same level as it was in 1989, does the President of the Board of Trade not recognise that to match the investment performance of Germany this country needs to invest another £42 billion per annum in order that we might become internationally competitive? What plans does he have to tackle that problem?

Mr. Lang: Perhaps the hon. Gentleman did not hear my answer to an earlier question, when I pointed out that investment in manufacturing industry was up by 8.3 per cent. on a year ago. As for his comparison with earlier years, I can tell him that, since 1981, total manufacturing investment has risen by 18 per cent. What guides investment is confidence in the management of the economy. Confidence is there now that was lamentably absent when the Labour party was in power.

Mr. Pickles: Does my right hon. Friend agree that the White Paper builds on many of the changes in the competitive nature of the British economy, one of which has been the creation of a flexible work force? Does he also agree that that can be seen writ large in the Ford Motor Company, which, this month, sees the production of the new Fiesta and which two months ago announced the new diesel plant at Dagenham? Does he further agree that Dagenham, which was once the symbol of all that was wrong with the British economy, is now the symbol of all that is right with the British economy?

Mr. Lang: Yes, I do. My hon. Friend makes the point very well. The Ford Motor Company is going from success to success. It is good to see the United Kingdom sharing so fully in that.

Mr. Bell: May I on behalf of Opposition Front-Bench Members congratulate the right hon. Gentleman on his elevation to President of the Board of Trade? We shall miss the lion's roar from the Conservative Benches, but no doubt the steady purring will continue into the ear of the Prime Minister.

Is it not remarkable that we are dealing with a competitiveness White Paper and the consultation documents on the day when it has been announced, by official figures, that we have the lowest growth rate since late 1993; that our construction orders are at the lowest level since late 1992; that our housing figures, the orders in housing, are down 13 per cent. from what they were a year ago; and that private industrial development is also down? Is not it a fact that the only thing over which the previous President of the Board of Trade presided was insecurity in our industry, the length and breadth of the land? Is not that what the right hon. Gentleman should be addressing?

Mr. Lang: I am grateful to the hon. Gentleman for his welcome, which I much appreciate. Sadly, I thereafter have to disagree with everything that he said. He has been extremely selective with his figures. He might like to know that, overall, GDP, which has been rising for the past three years, rose by 4 per cent. in 1994. I recall that, when the previous Labour Government were in power, they could not achieve growth on average of more than 1 per cent. per annum.

Arms Sales (Licences)

12. **Mr. Fisher:** To ask the President of the Board of Trade what steps he has taken to improve the scrutiny of applications for licences for the export of armaments. [32129]

The Parliamentary Under-Secretary of State for Trade and Technology (Mr. Ian Taylor): Procedures and practices are under constant review to respond to changing circumstances. Since the late 1980s, there have been a number of important specific changes. These include: a higher staff/licence application ratio; more resources concentrated on sensitive cases; greater involvement of senior management; and wider co-ordination through use of information technology.

Mr. Fisher: Did not the former President of the Board of Trade, in his statement to the House on BMARC, admit that 74 per cent. of export licence applications were not even checked by his Department? Was that caused by sheer inefficiency or was there a more political reason—that the Government wished to turn a blind eye to the export of arms? What are the Government going to do to avoid further shambles like BMARC in the future, which have brought such discredit not only to the Government but to the country?

Mr. Taylor: The hon. Gentleman should know that the previous President announced that on a sample basis 74 per cent. did not have full supporting documentation. I have to inform the hon. Gentleman that every application form states whom the applicant wishes to be the end user and ultimate consignee. Therefore, the Department of Trade and Industry was informed by every applicant of where the applicant said that it was eventually sending the goods.

Supporting documentation is not legally required in all cases. However, since the inquiries that were conducted by the Select Committee on Trade and Industry and as a result of the Scott inquiry, the performance of the export licensing department has been significantly tightened. The requirement now is for all applications to have supporting documents and, because of the new computer technology, it is not possible to process a licence unless certain key questions are asked and answered.

Mr. John Marshall: Can my hon. Friend confirm that British Aerospace is a major exporter, that the attack on

defence exports could cost many tens of thousands of jobs in British industry, and that the Opposition do not care about manufacturing industry or the jobs in it?

Mr. Taylor: I agree with my hon. Friend. British Aerospace is a fine company, doing an enormous amount for the benefit of the British economy, a considerable amount for employment and, I stress, as Under-Secretary of State for Trade and Technology, an enormous amount for Britain's technological base. It is shameful for Opposition Members to condemn the excellence that is available in that British company.

Mr. Wilson: At the time that the Scott inquiry was set up, the Government had been in possession for some two years of all the BMARC papers which were taken during the raid on the Astra headquarters. If those papers had been made available, the Scott inquiry would not have been just about arms for Iraq and Matrix Churchill but about arms for Iran and BMARC. Why were the papers not made available?

Mr. Taylor: The papers to which the hon. Gentleman refers were obtained as a result of investigations into the company's financial status and have been retained for that purpose by the receiver. They have now been made available to Customs and Excise, and we are delighted that, at our invitation, the Select Committee on Trade and Industry is looking into all those matters. There is no necessary connection in the Scott report between Iran and Iraq. The Select Committee's work will be of great illumination to the House in what the President admitted in his statement to the House was a chapter of incidents which we would have preferred not to have happened but which were in no way a connivance, rather the result of administrative inefficiencies.

Mr. Hawkins: In the light of my hon. Friend's welcome statements about the contribution of British Aerospace, does he agree that the attacks on the defence industry from so many Opposition Members will be widely reviled by the thousands of my constituents whose families' livelihoods depend on their employment with companies such as British Aerospace, and they will not forget the attacks that have been made on their futures by Opposition Front-Bench Members?

Mr. Taylor: I agree with my hon. Friend, who has a considerable constituency interest in the defence sector. If Opposition Members were as assiduous as he is in defending the interests of their constituents, there would be fewer arguments against defence exporters and manufacturers. Britain's defence exports are worth more than £2 billion a year and, as I said earlier, they provide enormous prospects for jobs and Britain's technological base. We should be proud of that record. Nevertheless, we take care to which countries we export, and that is the effect of the answer that I gave a moment ago that we have tightened up significantly on the export control department's activities.

Rural Textile Manufacturing

13. **Mr. Kirkwood:** To ask the President of the Board of Trade what further plans he has to provide assistance to textile manufacturing communities in rural areas; and if he will make a statement. [32130]

Mr. Eggar: Both my Department and the Scottish Office are working with the textiles industry to offer practical support and advice from which such rural communities can benefit.

Mr. Kirkwood: Does the Minister accept that there have been some damaging job losses in the textile sector in my constituency recently? Is he aware that the textile sector represents nearly 88 per cent. of the manufacturing work force in the Hawick travel-to-work area? Will he give a commitment that his Department will do all that it can to develop the RETEX scheme for diversification, organised by the European Union to assist the process of diversification? Will he also see what he can do to obtain new export opportunities, particularly for small firms in the region, so that they can replace the jobs that have recently been lost?

Mr. Eggar: I am aware of the importance of textiles to the hon. Gentleman's constituency, and I understand his concern about the recent job losses at Pringle of Scotland.

We are currently taking a number of steps. As the hon. Gentleman knows, RETEX II should start disbursing money in September—£25 million over three years for the United Kingdom as a whole. We want to ensure that that money is spent effectively. I also recognise the need to expand market opportunities for textile manufacturers. The starting point should be an improvement in the relationship between United Kingdom retailers and manufacturers, which should become a "win-win" relationship. My Department has joined the Trade Association in an attempt to bring that about. It recently appointed Mr. Ken Watson—whom I met yesterday—to start an initiative designed to improve the relationship, and we hope that that will lead to many new orders.

Mr. Devlin: Is my hon. Friend aware that companies such as Pringle, and other woollen manufacturers in Scotland and the north of England, import about 90 per cent. of their mohair and cashmere from abroad? The finest cashmere-producing goat in Europe was developed in Scotland, but currently kids are being exported to Spain and Italy, where they receive agricultural support, because no such support is available in England. Why does my hon. Friend not look into that, along with our hon. Friend at the Ministry of Agriculture, Fisheries and Food?

Mr. Eggar: I must confess that I was not aware of the position. I shall make it my duty to become aware of it, and undertake to discuss this important matter with my hon. Friend.

Regional Selective Assistance

14. **Mr. Coe:** To ask the President of the Board of Trade if he will make a statement on the processing time of applications for regional selective assistance. [32134]

Mr. Page: Processing times vary according to the level of assistance requested. The existing targets are currently under review, and revised target times will be announced in our response to the Trade and Industry Select Committee report on regional policy.

Mr. Coe: I am grateful to my hon. Friend for his reply. He will know of the long delays that have left many south-western companies, including Cornish companies, in a frustrating no-man's-land. I welcome regional selective assistance, which has changed the industrial landscape in my constituency: it has created some 500 jobs since April,

when offers were made. I urge my hon. Friend, however, to look closely at the time taken to process applications in Cornwall and elsewhere in the south-west.

Mr. Page: My hon. Friend has been an enthusiastic chaser of RSA applications into my office. Along with those 500 jobs, there have been 19 applications relating to his constituency since last year. I accept, however, that the position is rather like the curate's egg—good in parts and bad in parts. The average processing time is about 40 working days, but many applications have been delayed, in some cases because of the slow return of information by applicants. A review is taking place. I know that my hon. Friend would not expect me to make any announcement before responding to the Select Committee, but I expect one to be made very shortly.

Mr. Gunnell: As the Minister knows, we are normally in competition for inward investment with our European partners. Is he satisfied that our processing is at least as efficient as that of any other European country, that some of the criticism about our not always conforming to the "level playing field" arrangements are unjustified and that all our European partners are operating such arrangements?

Mr. Page: The hon. Gentleman is jumping from one part to another. The Invest in Britain Bureau has been enormously successful. Last year, we had some 434 investment programmes, which will produce some 100,000 jobs in this country. On regional selective assistance applications, the review is taking place, and, again, it would be wrong for me to bring forward those details, but I can tell the hon. Gentleman that, last year, we made about 1,065 offers, with a value of £158 million, and we hope to create some 25,000 jobs, so one can see that the RSA process is doing a good job for UK Ltd.

Exports (East Midlands)

15. **Mr. Tredinnick:** To ask the President of the Board of Trade if he will make a statement on export figures in the east midlands for the past five years. [32135]

The Minister for Trade (Mr. Anthony Nelson): Separate regional figures are not provided but nationally, in the past five years, exports have risen by 33 per cent. to £134 billion, with east midlands companies making a full contribution to that growth.

Mr. Tredinnick: I warmly congratulate my hon. Friend on his new appointment and wish him well in the future. Does he agree that an important contribution to that export growth comes from firms, in Hinckley in my constituency and round about, such as Profilex, Nelson Burgess and Triumph Motorcycles, which is the country's second largest motor cycle company? Is it not remarkable that the May Confederation of British Industry survey found that the east midlands was leading Britain's export growth?

Mr. Nelson: First, I thank my hon. Friend for his kind sentiments. It is nice to be released from the Treasury and I am looking forward to my new freedom as Minister for Trade. Secondly, I join him in welcoming the fact that the east midlands is in the vanguard of this country's exports growth. That is a tremendous performance for that region and his constituency; a performance that I am sure will be sustained under Conservative policies of free trade and free enterprise, unlike Labour policies of intervention and minimum wages.

Industrial Competitiveness

16. **Mr. Gapes:** To ask the President of the Board of Trade what plans he has to improve the international competitiveness of British industry. [32136]

Mr. Lang: The wide range of measures that the Government are taking to promote the competitiveness of UK industry at home and abroad is set out in the recent White Paper, "Competitiveness: Forging Ahead", which has been so well received by industry.

Mr. Gapes: Given the international weakness of the pound and of the British economy, and the fact that this country's growth is the lowest in the G7 and the second lowest in the Organisation for Economic Co-operation and Development, does the President of the Board of Trade agree that, if we were to stay out of a single European currency, massive speculation would take place against the pound, necessitating an increase in interest rates?

Mr. Lang: I wonder whether all the hon. Gentleman's colleagues and hon. Friends agree with him in that sentiment, but I wish he and his hon. Friends on the Opposition Benches would desist from talking down the British economy, which is one of the best performing economies in the industrialised world. Since his party left office in 1979, exports have risen by over 90 per cent. thanks in large measure to the remarkable efforts of the former Minister for Trade, my right hon. Friend the Member for Wiltshire, North (Mr. Needham). On inward investment and mobile projects, this country has attracted more manufacturing projects than Germany and France combined.

Mr. Batiste: Given the importance of science and technology to industrial competitiveness, and the new functions of my right hon. Friend's Department, can he confirm that the functions of the Office of Science and Technology will be ring-fenced within his Department and that it will continue its strategic overview of Government research and development conducted across the board?

Mr. Lang: I can certainly reassure my hon. Friend that, by placing responsibility for these matters entirely with my hon. Friend the Member for Esher (Mr. Taylor), who will be the Minister with responsibility for science and technology, I am clearly signalling the specific and separate importance that I attach to science in its own right and as an adjunct to the Department of Trade and Industry, where so much benefit can be derived for industry. My hon. Friend the Member for Elmet (Mr. Batiste) will be reassured when we are able to let him have more details on the future of the Office of Science and Technology, the technology foresight programme and other projects with which the Government are associated. I think that he will find that his answer is satisfactory.

Privatised Utilities (Regulation)

17. **Mr. Burden:** To ask the President of the Board of Trade what plans he has to change the mechanisms for regulating privatised public utilities. [32137]

Mr. Eggar: The mechanisms for regulating the privatised utilities have evolved over time, in response to the practical experience of the various directors general. Independent regulation has delivered real benefits to consumers and to wider market development.

Mr. Burden: Does not the Minister recognise the frustration among the British people who regularly see

more and more excesses in the privatised utilities? Today's news about the water industry and share options is just the latest example, but the Government say that they have nothing at all to do with them. When they were forced to listen, they set up the Greenbury committee which offers no guarantee that anything will be done. When will the Government accept that they have a responsibility to enforce decent standards in this area, and when will they establish a regulatory mechanism that puts the consumer first and does not fudge matters in the way that the Government have done?

Mr. Eggar: I am not sure whether the hon. Gentleman was in the House earlier when we discussed this issue. He should ask his right hon. Friend the Member for Sedgefield (Mr. Blair), who led for the Opposition against electricity privatisation, why he did not raise or identify the whole issue of share options at that time. The hon. Gentleman should ask his right hon. Friend why he failed to pick that up. The overall benefits of privatisation are there for all to see—reduced prices for consumers in real terms. Electricity prices are significantly down. They are sharply down for gas and there will be significant additional price reductions for electricity over the coming months.

Mr. Jacques Arnold: My right hon. Friend will be well aware of the considerable success of the public utilities in obtaining international contracts for Britain. For instance, the water industry has obtained £2,000 million-worth of contracts for Britain in the past year alone. How does it help our public utilities to gain such business for Britain if Opposition Members are forever slinging mud at them?

Mr. Eggar: I very much agree with my hon. Friend. British Gas is competing and winning around the world, and a number of our water utilities are doing exactly the same. Our electricity utilities, particularly the generating companies, are investing effectively, and that will bring dividends to the United Kingdom and provide significant employment in supplying companies in the UK and to individuals who are directly employed. That is a good result for Britain, and the Opposition should not drag Britain down in their approach to this important issue.

Mr. O'Neill: Is the Minister aware that there is widespread concern about the quality of treatment received by the regional electricity companies at the hands of the regulator? Is he aware of the frustration at the lack of transparency and accountability shown by Professor Littlechild and his staff? Will he take steps to ensure a more businesslike and more commercially aware approach to regulation by Offer? Does he not realise that the companies and the consumers require a more balanced approach? At present, the regulator has neither sympathy for the consumers nor understanding of the commercial realities of the business in which he operates. Surely he can get the balance right and try to satisfy them. If he cannot, will the Minister take steps to remove him?

Mr. Eggar: I am surprised at the hon. Gentleman. I thought that he had accepted the case for independent regulators. It does nothing for the independence of regulation and the effective operation of the industry for regulators to be under partisan political attack on a personal basis. That does the hon. Gentleman no credit at all.

Mr. Mans: Does my right hon. Friend agree that, when these recently privatised utilities were in the public sector, there was no one acting on behalf of the consumer because there were no regulators? On top of that, those utilities were highly inefficient and were able to invest in their infrastructure only when the Treasury let them do that. Does he further agree that the position is not only better in terms of the money that the public sector has to provide, but better for consumers, who get better value for money?

Mr. Eggar: I completely agree with my hon. Friend, and there is a further point. There is a great deal of transparency in the way in which the regulatory system works. The issues are put on the table for everybody to consider but they were never available for consideration in that way when those industries were nationalised and decisions were taken bilaterally in ministerial offices. The last thing that Labour took account of when it was in government was the interests of consumers. It took account the whole time of its political interests and the interests of the then Labour-run Treasury.

Arms Sales

18. **Mr. Mullin:** To ask the President of the Board of Trade what proportion of British manufacturing exports was accounted for by arms or arms related material (a) in 1979 and (b) in 1994; and if he will make a statement. [32138]

Mr. Ian Taylor: In 1979 the value of exports of identified defence equipment accounted for 1.3 per cent. of exports of manufactured goods from the United Kingdom. In 1993 the proportion was 2 per cent. Figures for 1994 will be published by the Ministry of Defence later this month.

Mr. Mullin: Considering that the Minister is a member of a regime which over the past 17 years has presided over the destruction of about a third of our manufacturing industry, does he consider it a disappointment that the one area in which we appear to excel is the manufacture and marketing of arms? Does he think that we should find a more honourable way of making a living? Does his Department have any plans to encourage arms manufacturers to diversify into more productive activity?

Mr. Taylor: I am not sure whether the hon. Gentleman intended to pay us a compliment by calling us a regime, but judging by his other standards, he was not attempting to be friendly. As for the British manufacturing base, the efficiency and technical application of United Kingdom manufacturing has dramatically improved since 1979 and the defence industry has had a major positive influence on new management techniques and technological application. There is nothing to be questioned about whether this country should be selling manufactured goods. We have only 16 per cent. of the world market. I would like more, but our share shows that many other leading countries are also involved in arms sales. The key question is to whom we should be selling, not whether we should be selling.

Bosnia

3.30 pm

The Secretary of State for Foreign and Commonwealth Affairs (Mr. Malcolm Rifkind): With permission, Madam Speaker, I should like to make a statement to the House on events in Srebrenica.

Srebrenica was established as a safe area by United Nations Security Council resolution in April 1993. This was followed by an agreement on its demilitarisation between UNPROFOR, the Bosnian Government and Bosnian Serb military commanders, signed on 17 April of that year.

In June 1993, the UN suggested that up to 36,000 troops could be necessary to implement the safe areas concept. The United Kingdom, France and the Netherlands responded well, but many others did not. The total committed amounted to only 7,500—a significant shortfall. This has had substantial implications for the safe areas policy. A Dutch contingent of UNPROFOR troops was deployed to Srebrenica to replace the original Canadian contingent.

The reality is that neither side properly observed the provisions on demilitarisation. It is this that lies at the root of events over the past few days. For three months, there have been sporadic attacks by each side against the other. Some 450 Dutch troops were in Srebrenica when fighting escalated over last weekend.

During that fighting, one Dutch soldier was killed by Bosnian Government forces on 8 July, and 30 Dutch soldiers were taken by the Bosnian Serb army as they withdrew from outlying observation posts to a blocking position 1.5 km to the south of the town. On the evening of 10 July, Bosnian Serb troops launched an infantry attack against this position, the Dutch returned fire, and the attack was abandoned.

At about midday on 11 July, however, Bosnian Serb forces launched a further attack, using mortars and tanks. Srebrenica town came under fire, with shells hitting the hospital and the Dutch compound. The Dutch commander requested NATO close air support. Two missions were launched, resulting in the destruction of Bosnian Serb army tanks. Meanwhile, Dutch troops helped to evacuate the hospital and withdrew from the compound, as it was under heavy shelling and undefendable.

The Dutch blocking position was bypassed, and, at about 1800 hours, Dutch UNPROFOR troops withdrew northwards to their compound at Potocari. They took with them some 2,500 displaced persons and some 80 to 100 who are wounded. Latest reports indicate that some 30,000 displaced persons are now in the Potocari area, several thousand of them in and around the Dutch compound, and that Bosnian Serb forces now effectively control the whole of the Srebrenica enclave.

I have spoken this morning to the Dutch Foreign Minister, Mr. Van Mierlo. He confirmed that the Dutch troops remained in their compound. He has no reports of casualties. The compound is not at present under attack, but food and water supplies are running low. Dutch commmanders are in touch with General Mladic, who is now is Srebrenica, about getting relief to the displaced persons.

We are in close touch with our allies and friends about the next step, and I have instructed our chargé in Belgrade to speak to President Milosevic. Our immediate priorities are to get food, water and medical help to the displaced persons in the Potocari area and to offer any help to the Dutch that they need; secondly, to safeguard the other enclaves and in particular the British forces in Gorazde; thirdly, to pursue action in the United Nations Security Council in response to this Bosnian Serb aggression. Our overall objective should remain, despite the difficulties, to restore Srebrenica as a safe area, but on the basis of a genuine implementation of the demilitarisation agreement of April 1993.

On the humanitarian situation, I spoke to the United Nations High Commissioner for Refugees last night. I understand that UNHCR is seeking to negotiate access to provide help to the to displaced persons and assistance to those who expressly wish to leave. We have offered technical assistance to UNHCR from Overseas Development Administration experts in the area.

On the position in the other enclaves, there is continued sporadic shelling around Zepa, which is guarded by Ukrainian forces. There are no reports of increased activity by Bosnian Serb forces around Gorazde. Hon. Members will nevertheless share my concern about the safety of British troops there.

We are in constant touch with UNPROFOR commanders on the ground about developments, and we shall take appropriate measures to safeguard the security of our troops. Part of the rapid reaction force is deployed in theatre, where it will be able to support UNPROFOR's political and humanitarian objectives.

At the United Nations we, the United States, France, Germany and Italy are co-sponsoring a draft resolution which was circulated yesterday evening. This condemns the Bosnian Serb offensive; demands that the Bosnian Serb forces withdraw immediately from the Srebrenica area, that the Bosnian Serbs immediately release all detained UNPROFOR personnel and that all parties allow unimpeded access for the High Commissioner for Refugees and other humanitarian agencies to the safe area to alleviate the plight of the civilian population; and requests the Secretary General to use the resources available to him to restore the safe area status of Srebrenica. I look to see a resolution along these lines in New York today.

Beyond those immediate priorities, we have to consider the implication of these events for the political process and for the future of the UN forces. I am seeing Carl Bildt, the new European negotiator, immediately after this statement. He has already travelled extensively in the region, and has had three lengthy negotiating sessions with President Milosevic.

I will be discussing with him how he can use his channels to the parties to help stabilise the situation in Srebrenica, as well his broader objective of a negotiated settlement to the Bosnian conflict and mutual recognition between the republics of former Yugoslavia. Later today, Mr. Bildt will meet the contact group to discuss these developments.

On the future of UNPROFOR, my right hon. Friend the Prime Minister told the House yesterday that the continuing fighting in Bosnia was putting the future presence of the United Nations forces at risk, and that the warring parties had to indicate soon that they were prepared to return to the negotiating table to reach a political solution. That remains the position.

[Mr. Malcolm Rifkind]

There is no question about the value of UNPROFOR's work. This is the largest peacekeeping operation in the history of the United Nations. Forty thousand troops are involved, drawn from almost 40 countries. They have saved tens of thousands of lives. Casualties in the Bosnian war have fallen from 130,000 killed in 1992 to 2,500 in 1994. They have contained a conflict which threatened a wider Balkan war. They are providing support for more than 2.7 million people in Bosnia who have been affected by the war.

But to operate, they require co-operation from the parties. UNPROFOR is not configured to fight a war. We must rely on the judgment of UN commanders on the ground as to whether they remain able to carry out their mandate; so withdrawal must remain an option. The structure for a political solution is there if the parties choose to use it, but they have to recognise that negotiating time is running out.

Dr. David Clark (South Shields): I thank the Secretary of State for coming to make the statement, and congratulate him on his new appointment. I wish that he were here in rather less sombre circumstances.

Clearly, we are in a serious position. The whole House will share the Foreign Secretary's condemnation of the Bosnian Serbs for the manner in which they have ignored the wishes of the civilised world and overthrown a United Nations safe area. It is an outrageous act of aggression, which places the lives of thousands of innocent people in jeopardy, and the world cannot simply sit by.

The continued presence of UNPROFOR is something with which we concur. We still believe that a worthwhile job is being done in Bosnia by British troops and our allies in UNPROFOR and, as long as our troops are there, doing a worthwhile job, we hope that we can support them.

However, our immediate concern must be for the people of Srebrenica, who are being forced out of their homes in their thousands, often for the second or third time. They are experiencing ethnic cleansing, not only once or twice but sometimes three times. Will the Foreign Secretary tell us a little more about his plans and those of the United Nations for ensuring that those unfortunate people are provided with food and shelter? What negotiations are taking place with the Bosnian Serb authorities so that we can get food to the refugees there?

Will the Foreign Secretary also tell the House what consultation he has had with the French authorities? We understand that they favour a much more robust military approach to the retaking of Srebrenica. What consultation has the Foreign Secretary had with the French authorities, and what is the Government's view of the French proposals?

What is the position of the rapid reaction force? We heard a great deal about it when it was announced five or six weeks ago. We understand from the Foreign Secretary's statement that the rapid reaction force is in the vicinity of Gorazde, but why was it not called to be sent to Srebrenica? After all, we had three days' notice of what was happening in Srebrenica. Where was the rapid reaction force? Where were the guns that would have filled the gap between air strikes and hand guns? That question must be answered.

What is the Government's policy towards the other safe areas, especially those in the eastern enclave? What are the Government doing to try to ensure that demilitarisation in those areas is a fact, not a myth? There is no doubt that, unless there is demilitarisation, or unless one has thousands and thousands of troops, one cannot defend the safe areas. Will the Foreign Secretary accept that no action in Srebrenica can be seen in isolation from the rest of Bosnia, especially the two safe areas in the east that I just mentioned?

Of course, the whole House is doubly concerned about Gorazde, because troops from our country are there. What is the position of British troops in Gorazde? Have they got plenty of reserves? Do they have the facilities to protect themselves? Do we have the assurance that the rapid reaction force, which the Foreign Secretary mentioned, will be there in time? It is no use arriving too late in that situation.

May I press the Foreign Secretary on the basic issue of consultation? At the end of the day, both sides agree that there is no military solution in Bosnia; there will have to be a political solution. Will he confirm that there have been no discussions between the contact group and the belligerents in Bosnia for a number of months? Will he say a little more about when such contacts will be renewed, because they are critical?

Finally, what has happened in Srebrenica came about because of a mismatch between the commitments given by the world through the United Nations, and the resources made available by the countries that make up the United Nations. Will the Foreign Secretary impress on other countries through the United Nations that it is imperative that this cannot happen again?

It is no use making pious claims unless other countries are prepared to try to ensure that there is sufficient force to ensure those aims are adhered to. What we have to do in the international councils is say what we mean and mean what we say; otherwise, it is simply not worth doing.

Mr. Rifkind: May I thank the hon. Gentleman for his personal good wishes? I certainly agree with him that, when the Security Council expresses a policy, it is necessary that those who vote for that policy and support it provide the means of implementing it. I am proud that the United Kingdom is one of those countries which has responded, both in the spirit and in the letter of what has been called for.

The hon. Gentleman asked me a number of questions, to which I shall try to respond briefly. Refugees are the immediate priority. There are up to 30,000 or 40,000 refugees from Srebrenica, many of whom were in Srebrenica as refugees. The immediate requirement is their food and shelter. The UNHCR is currently engaged in providing that, and of course we shall give full support to that objective.

The hon. Gentleman asked me whether we had had contact with our French allies. I did indeed speak to the French Foreign Minister last night. The French have indicated publicly their interest in a possible military response to reverse the situation in Srebrenica. We are awaiting more information from them as to the details of what they have in mind.

Clearly any military operation would be complex. Srebrenica is 170 km from central Bosnia, and therefore any forces going by land would have to continue along a

very long stretch of road, most of which is controlled by Serb military forces. Within Bosnia at the moment, there are no helicopters of a kind able to transport such military force. Having said that, the French have indicated an interest in a military response. We need to hear the precise details of what they have in, mind and whether that is perceived to be a militarily realistic solution to this matter.

The hon. Gentleman also asked me about the rapid reaction force. At the moment, some 1,[illegible] additional British troops have arrived in Bosnia, as well as the additional French reinforcements. The 24 Airmobile Brigade has not yet been deployed, because we need to get the agreement of the Croatian Government and the Croatian authorities. Much of that work has now been done, but it has not yet been completed. If the rapid reaction force wishes to be involved in Srebrenica, it will have to traverse that route of 170 km of Serb-held territory. Therefore, the hon. Gentleman must reflect on whether that is a realistic obligation to impose upon it.

The hon. Gentleman asked about the safe areas policy as a whole. The key to the Srebrenica area is whether the Serbs can be persuaded to withdraw from Srebrenica in exchange for the demilitarisation of the town. That is not an unrealistic objective, because both sides agreed to that policy two years ago. It is unfortunate that neither side implemented what they had committed themselves to.

The hon. Gentleman asked me about consultation with the various parties. The most recent development, of course, was the appointment of Carl Bildt, who has been working very closely with Mr. Milosevic to seek a solution involving the recognition of Bosnia-Herzegovina and the suspension of hostilities. Some considerable progress has been made, but clearly there is still a long way to go.

Mr. Tom King (Bridgwater): Did my right hon. and learned Friend hear the comments of Dr. Boutros-Ghali on the radio this morning, in which he seemed to imply that the military response in a particular situation should depend on the individual Government to whom the troops belong—in this case, the Dutch Government? Will my right hon. and learned Friend confirm that, in this very difficult and dangerous situation, it must be the responsibility of the commanders on the ground to determine the correct military response?

In connection with the serious humanitarian situation facing us, is it not clear that the only immediate prospect of help must lie in his last plea: there must be the clearest assurances on demilitarisation, lack of military activity, from within the enclave outwards? We would then be entitled to demand the withdrawal of the Bosnian Serb forces.

Mr. Rifkind: I very much agree with my right hon. Friend's last observation. Clearly, one of the major causes of tension in recent weeks has been military activity from both the Bosnian Government forces in Srebrenica and the Bosnian Serb forces on the outside. That does not excuse the aggression of the past 48 hours, but we must be aware of the background. Clearly, demilitarisation would be a way in which to ensure the continuation of the enclave and the safety of those within it.

So far as Dr. Boutros-Ghali's comments are concerned, I am sure that the Secretary General recognises more than most of us the crucial requirement that any use of military force in Bosnia-Herzegovina must be based on an assessment by the force commanders and their recommendation that the objectives for which it was used could be realised in that way.

Mr. Menzies Campbell (Fife, North-East): Does not the sad history of Srebrenica, which the right hon. and learned Gentleman has just related, show that to call an area a safe area, without either the political will or the military resources to keep it safe, is worthless? Is it not now time to try to re-establish the last vestiges of the authority of the United Nations in Bosnia, and would that not be accomplished by the creation and maintenance of a permanent humanitarian route into Sarajevo over Mount Igman?

Mr. Rifkind: In answer to the hon. and learned Gentleman's first question, clearly there are two points at issue. There is not only the unwillingness of the international community as a whole to provide the additional forces necessary, but the question of the mandate that would be needed to enforce a safe area if military activity were initiated by any of the parties against it. As for the other matters that the hon. and learned Gentleman raised, I agree with his observations.

Mr. David Howell (Guildford): We all appreciate that it is the clear thinking of my right hon. and learned Friend in his new job that is needed in the present agonising situation, rather then more pious hopes and cliches. I applaud his ambition that we should somehow restore the safe area around Srebrenica, and that we should not abandon the refugees.

However, the question hangs in the air: can we really deliver on those ambitions? Can we protect the refugees, as they are not being protected around Srebrenica today? Has the time not come to reconsider, and will my right hon. and learned Friend please reconsider with his colleagues and other Foreign Ministers, the restraints that prevent the so-called Bosnian Muslims from defending themselves more effectively, as they are desperately trying to do around Sarajevo even now?

Mr. Rifkind: One recognises that there are conflicting interests that we are trying to safeguard. I assume that, in the latter part of his remarks, my right hon. Friend was referring to the arms embargo. The fundamental problem remains, as it has always been, the fact that it is not possible to reconcile the United Nations lifting the embargo with the continuing UN presence in Bosnia-Herzegovina. So far, when faced with that predicament, the Bosnian Government have always concluded that they wished the UNPROFOR presence within Bosnia-Herzegovina to continue. I believe that that is a correct judgment, and we must wait to see whether it remains their view.

Mr. Tony Benn (Chesterfield): Looking back on that long and bitter civil war, and from the Foreign Secretary's statement, is it not clear that the most successful part of what we have done has been the humanitarian aid? Many lives have been saved, and many people who would otherwise have starved have been supplied; whereas military interventions, including air strikes, have been the least successful, as has been most recently established.

Can the Foreign Secretary give an assurance that, when we assess what can and cannot be done, the one thing that will not be abandoned is the humanitarian aid, and that what will be considered most carefully is whether it is wise to enter the war as a participant military force?

Mr. Rifkind: I agree with the general thrust of the right hon. Gentleman's remarks. The humanitarian achievements of the United Nations in Bosnia have been of a remarkable, perhaps an unprecedented, kind. It is probable that more lives have been saved in Bosnia as a result of UN intervention than that organisation can claim in any previous UN operation in any part of the world. Therefore, it is crucial that that huge benefit is not recklessly thrown away because of other disappointments and frustrations.

Of course, if the UN can use both its mandate and the forces available to it to achieve other benefits, so long as they do not jeopardise the humanitarian operation, that is well worth striving for, but I entirely accept that there is a limit to what one can achieve unless one is prepared to cross the rubicon and become a combatant in a war. The UN is not prepared to do that.

Mr. John Biffen (Shropshire, North): I warmly congratulate my right hon. and learned Friend on his appointment as Foreign Secretary.

Does he ever reflect on the wisdom that echoes down the ages in Bismarck's comment that the Balkans were not worth the bones of a single Pomeranian grenadier? In that context, is it not incumbent upon us to make the most realistic assessment of our current military commitment in that part of the world, of what it seeks to fulfil, and of how those two can be reconciled—and to determine that, ultimately, that judgment will be undertaken by a British Government answering to a British Parliament?

Mr. Rifkind: I thank my right hon. Friend for his personal good wishes. On the final point that he raised, I can confirm that any question about the future of the British forces in Bosnia-Herzegovina will be a matter for the Government and Parliament of this country, and we will not seek to transfer that obligation to any other place.

So far as the thrust of his main question is concerned, while we certainly take the view that there is no justification for the United Kingdom becoming involved as a combatant in the war that is taking place in Bosnia, we do believe that there is an obligation upon this country—as upon other countries—to do what can be done to help save lives and to reduce the nature of the conflict. We have national interests which would be seriously affected if the war were to continue indefinitely, or spread to other parts of the Balkan region.

Therefore, if there is a role for British military forces that does not involve them becoming combatants but which can help advance some of those interests, I believe that that objective should be pursued. While recognising the limits of what can be achieved, we must not ignore the very real benefits which are available.

Mr. Denzil Davies (Llanelli): Is the Secretary of State aware that I have constituents with sons serving in the Royal Welch Fusiliers in Gorazde, and that the fusiliers have been placed by somebody in as exposed a position as the Dutch were at Srebrenica? Can he assure the House that added protection will be provided for the fusiliers at Gorazde? My constituents want to know where the rapid reaction force is, because their impression is that it is neither very rapid nor much of a force.

Mr. Rifkind: I know that the right hon. Gentleman met the Minister of State for the Armed Forces yesterday, and discussed various ways in which we can enhance the protection available to the British troops in Gorazde. So far as the rapid reaction force is concerned, the right hon. Gentleman will recognise that the approval of the Croatian Government and authorities is required if 24 Airmobile Brigade is to use Ploce on the Croatian coast.

It has been suggested that the authorities will agree, but there are some final discussions which must be resolved before the force can deploy. Notwithstanding that, 1,100 British troops have arrived in Bosnia in addition to those who have been there in the past. They are taking part in the multinational brigade part of the rapid reaction force.

Sir Patrick Cormack (Staffordshire, South): I wish my right hon. and learned Friend well in all he does. Does he agree that what is at stake is not just Bosnia and the poor innocent civilians who are fleeing, but the whole credibility and authority of the UN itself? Does he agree that there are occasions when it is entirely proper for the UN to take armed action against those preventing a UN mandate from being fulfilled? Does he accept that, if Karadzic's Serbs—a gang of brigands who do not represent the whole Serbian population in Bosnia—get away with cocking a snook at the international community, it will be a recipe for international anarchy?

Mr. Rifkind: My hon. Friend makes his point, and I understand his strength of feeling on the subject. But the UN can only be expected to achieve results if its member states are prepared to provide assistance to the UN. The harsh and unavoidable truth is that there are very severe limits both on the number of forces that member countries are prepared to send to Bosnia and on the mandate that they are prepared to accept should be the basis on which the forces are sent. Given that fact, some of the criticism that the UN has received in the past couple of years has been misdirected and totally unjustified.

Mr. David Winnick (Walsall, North): Is the Foreign Secretary aware that this has been the saddest and most humiliating blow that the UN has suffered since the organisation was set up? Does not the responsibility lie with the leading democracies, for their sheer lack of resolve in dealing with criminal aggression?

Is it not clear that the Serbian military forces were encouraged day in, day out in the past few weeks by the knowledge that there would be no military retaliation on the part of the UN? Those troops knew that they could carry out aggression such as has been committed, and they knew that they could get away with it. The failure lies with the leading democracies. It has been a shameful day for the international community, and the Foreign Secretary should recognise that.

Mr. Rifkind: It is easy for the hon. Gentleman to make bellicose noises, but unless he wishes to advocate the deployment of many tens of thousands of British and other forces to Bosnia in a war-fighting role, I am afraid that his protestations, although no doubt sincerely felt, add little to resolving the real issues before us.

Mr. Cyril D. Townsend (Bexleyheath): Will my right hon. and learned Friend confirm that UN peacekeeping, as opposed to peace-making, can be carried out only with the support of the parties in the area, and that safe zones can be defended only by conventional warfare, which in reality—I believe rightly—the UN Security Council will not authorise? Is not the conclusion that there is a role for

the UN in Bosnia seeking diplomatic progress and looking after desperate humanitarian problems, but currently no role for UNPROFOR?

Mr. Rifkind: I agree with part of what my hon. Friend says. Clearly, the United Nations must recognise what it is capable of achieving, and the limitations of that capability. But within that framework, UNPROFOR is continuing to provide a viable asset for the UN, which could not be resolved in its absence. The extent to which convoys have been able to deliver aid would be crucially less without military escorts in many areas. The extent to which the Croat Muslim reconciliation in central Bosnia requires to be monitored needs a military presence and that, too, could fall apart if UNPROFOR withdrew.

In those and a number of other areas, I believe that UNPROFOR continues to be of considerable significance, which implies that we need a military presence, but not at any cost. The balance of advantage and risk must be constantly monitored, and we, along with other contributing countries, are currently engaged in that.

Mr. Calum Macdonald (Western Isles): As the Foreign Secretary twice referred to the need to listen to the judgment of UN commanders on the ground, why has he conspicuously failed to give his full backing to General Smith's plan to relieve the siege of Sarajevo by opening the route over Mount Igman? Is not that failure to give General Smith the Government's backing a green light to the Bosnian Serbs to carry on defying the UN with impunity?

Mr. Rifkind: The hon. Gentleman is totally misinformed. We are entirely willing to support any proposal that General Rupert Smith or the force commanders believe is capable of delivering aid to either Sarajevo or any other part of the country that requires it. The hon. Gentleman must not make claims based on a misunderstanding of Her Majesty's Government's position. I know that the force commanders have been looking at ways of using the Mount Igman route. If they conclude that that is a realistic way to deliver aid, we shall be happy to support them.

Sir Cranley Onslow (Woking): In view of what my right hon. and learned Friend said a moment ago about the French Government, is he confident that it understood in Paris that the UN forces are in Bosnia for humanitarian and peacekeeping purposes, not to get sucked into a war?

Mr. Rifkind: Yes, I believe that the French Government share our view about the role of the UN forces. They have made a number of clear and unequivocal statements to that effect. They have been quoted in the past 24 hours as asking whether UN forces could be used to relieve or reverse the situation in Srebrenica. Clearly, the priority now with regard to that suggestion is to see exactly what they have in mind, in what way military forces could be used, and whether there would be a prospect of success.

Miss Kate Hoey (Vauxhall): Does the Foreign Secretary agree that, when we strip away all the fine words, conferences and good intentions, the real policy of the international community over the past three years is to drip, drip, drip, and give in to the Serbs time after time? Can he give one example of the Serbs keeping their word? Is it not time to lift the arms embargo and allow the Muslims to defend themselves?

Mr. Rifkind: The sad but undeniable fact is that all the parties to the Bosnian dispute have given their commitment in writing on many occasions and failed to deliver on many occasions—that phenomenon is not peculiar to one side in the conflict. One is entitled to say to the hon. Lady that the main achievement of the UN forces is that hundreds of thousands of men, women and children are alive today who would not be alive but for the UN presence.

Sir Geoffrey Johnson Smith (Wealden): I accept my right hon. and learned Friend's analysis that to withdraw now would be a policy of betrayal and despair, and that to enforce military action would be a policy of folly. I am glad that he has reacted as he has to the French proposal. But does he agree that, if we are to be effective at delivering humanitarian relief and protecting refugees, it is imperative that, when action must be taken, it is taken swiftly, decisively and with conviction, and that too often none of those qualities has been apparent?

Mr. Rifkind: I agree with that observation. It is very important that the force commanders are given the support they require, so that, if they do wish certain action to be taken, they are not prevented from carrying out that action by considerations that are not appropriate or relevant.

Mr. Andrew Faulds (Warley, East): Would the right hon. and learned Gentleman accept my congratulations on his achievement in becoming Foreign Secretary? Many of us would regard his new job as a fitting continuation of the admirable tenure of his predecessor. But does he now realise that it is absolutely essential, if he is going to prove himself in his new job, that he has to mount the resolution of the French Foreign Secretary and do something about the criminal activities of the Serbs?

Does he not realise that humanitarian protection cannot be provided without the use of military power? If our forces in Bosnia are to have any meaning or significance, they have to be used. Would it not be perhaps some strength to him to rid the western view of its pusillanimity so far—to ask our chaps in Gorazde whether they want to take action against the criminal activities of the Serbs? If the Government have not got it, those chaps have certainly got the guts and the balls to do it.

Mr. Rifkind: The hon. Gentleman is, of course, correct to say that, in order to achieve the humanitarian objectives of the United Nations, the military has a role to play and a contribution to make. It was with that very much in mind that the United Kingdom, France and the Netherlands announced the sending of substantial reinforcements to Bosnia. A significant proportion of those forces are now in theatre and will help the force commanders to protect convoys and get the aid through to those who require it.

Sir John Stanley (Tonbridge and Malling): Will my right hon. and learned Friend confirm that the British contingent to UNPROFOR does not have the role, the numbers or the equipment with the surrounding contingents to carry out a war-fighting role in Bosnia?

[Sir John Stanley]

Will he also confirm that it is no part of the British Government's policy that their present role should slide into a war-fighting role in that country?

Mr. Rifkind: It is crucial that the remarks made by my right hon. Friend are observed, not only in the policy that is pursued by troop-contributing countries, but in the rhetoric that their political spokesmen use. One of the great mistakes of the past three years has been for the United Nations, NATO and individual Governments to use a rhetoric that implies a capability that has never been provided.

It does no good service to the people of Bosnia-Herzegovina to create expectations that cannot be delivered. It is far better to concentrate on the real benefits that the United Nations can provide in Bosnia. Those are already significant and substantial, and I believe that that is the way in which we can properly win the trust of the people of that country at present.

Mr. John McWilliam (Blaydon): Will the Secretary of State accept my personal congratulations on his appointment, as an old council friend? Will he also accept that there are serious doubts, first, that the rules of engagement that are currently involved are sufficient to protect our forces in theatre, and, secondly, that the rapid reaction force, as it is being deployed, will be able to secure the safe havens? Thirdly, can he explain to the House why, when he spoke about a political solution, the name of Radovan Karadzic, who steadfastly refuses to come to the conference table, was never mentioned?

Mr. Rifkind: I thank the hon. Gentleman for his kind opening remarks. Regarding the position of Mr. Karadzic, obviously any political settlement must be acceptable to the Bosnian Serbs as well as to the Bosnian Government if it is to have any prospect of being achieved. The efforts that have been made in recent weeks have involved seeking to use the influence of Mr. Milosevic, and that has been beneficial in several aspects—such as in the release of the hostages some weeks ago—so obviously we must be prepared to consider not only that route but any other that might be productive of success.

Mr. Michael Colvin (Romsey and Waterside): It could not be a better time to have a Foreign Secretary with so much experience in defence matters. However, may I ask my right hon. and learned Friend what lessons have been learnt from the Srebrenica debacle that are applicable in Gorazde, where we have deployed 300 Royal Welch Fusiliers and many Sappers?

Following the earlier question about rules of engagement, will those rules change if those troops have to take off their blue helmets and put on brown helmets as members of NATO?

Will my right hon. and learned Friend confirm that our rapid deployment force would not get anywhere if it were not for the assistance provided by our ally the United States of America,, with its heavy lift capability? Should we not have that capability ourselves?

Mr. Rifkind: I pay tribute to the United States for providing that lift capability. We appreciate its assistance very much, and I am sure that my right hon. Friend the Secretary of State for Defence will consider the question of the United Kingdom's having the same capability.

As to the rules of engagement, we are in constant contact with the force commanders to assess whether the current rules of engagement are sufficient for their requirements. In the past two or three years, the rules of engagement have changed a number of times, and we are always ready to consider fresh changes should they prove necessary in order to meet our objectives in implementing the mandate.

Mr. Peter L. Pike (Burnley): In addition to the other points of concern rightly expressed by hon. Members, does the Foreign Secretary recognise the impact that the situation in the former Yugoslavia is having on the adjacent newly emerging democracies such as Romania? What discussions are going on with those countries to ensure that their progress towards democracy and a free market economy is not adversely affected by what is occurring?

Mr. Rifkind: I will, as it happens, be meeting the Romanian Foreign Minister in London tomorrow. We are conscious of the fact that, in imposing sanctions against Serbia and Montenegro, we have been required to introduce measures to ensure that there is no damage to neighbouring countries.

Sir Jim Spicer (Dorset, West): Does my right hon. and learned Friend accept that the recent incident occurred within a very short period and came as a great surprise to everyone, including those people on the ground? In those circumstances, is it not correct that all we can do is rely on our commanders on the ground to take the right decisions? Is not their room to manoeuvre seriously curtailed by the lack of a back-up force? In view of what might happen in the next two or three months, is it not a top priority to get the rapid reaction force on the ground somewhere, so that it can be deployed if necessary?

Mr. Rifkind: I agree with what my hon. Friend has said, with one important qualification, which I am sure he will accept. It is no part of the purpose of a rapid reaction force to become a combatant in the conflict. Its purpose will be to assist the force commander in the protection of UNPROFOR, and to assist with the delivery of United Nations humanitarian supplies to those who require them.

We must not allow ourselves to believe that the rapid reaction force has either the size or the military capability to become a war-fighting machine. It does not have that capability, and we would be perpetrating a cruel deception if we implied otherwise.

Mr. Robert N. Wareing (Liverpool, West Derby): May I first congratulate the right hon. and learned Gentleman on following his distinguished predecessor as Foreign Secretary?

Was not the entire UNPROFOR operation undermined from the outset by the uneven-handed approach of the international community? Bosnian Serb villages are put to the torch by commando raids out of places like Srebrenica, and Croatian shells land on Croatian Serb villages near Knin, but the Serbs see air strikes whenever they retaliate. Should we not regard the situation as a civil war? The United Nations has no possibility of solving anything by taking sides in a civil war.

Mr. Rifkind: I agree with the hon. Gentleman that it would be unwise for the United Nations to take sides. However, I cannot agree with the tenor of his other

remarks. It is the judgment of Her Majesty's Government and other Governments that prime responsibility for the aggression—including the present situation facing the people of Srebrenica—lies with the Bosnian Serbs.

Mr. Robert Key (Salisbury): I congratulate my right hon. and learned Friend on his appointment, just as I congratulate, as ever, our troops on the ground and the staff at land headquarters in the Ministry of Defence on their professionalism.

Can my right hon. and learned Friend assure the House that the mission of our military personnel has a clarity of purpose that is not apparent to everyone in this country, and that the rules of engagement are shared between all of the allied forces on the ground? I assure my right hon. and learned Friend that, when the time comes to withdraw UNPROFOR troops, he will have very wide support.

Mr. Rifkind: I thank my hon. Friend. There is doubt in some quarters about the clarity of the United Nations mission, because there are calls from various quarters for the United Nations to have a different mission. As United Nations troops are constantly called upon to act as combatants without the force structure or the mandate to do so, the confusion in the minds of many observers is more the responsibility of those who call for such action than it is of the United Nations.

Mr. Frank Cook (Stockton, North): May I assure the Secretary of State that my son has fulfilled his duties in Gorazde and is now safely back in Britain? However, that does not reduce my concern for serving men and women who do our bidding in bloody awful conditions. Anyone who has been there will know full well the complexities of their existence.

The Secretary of State has already alluded to the nub of the problem. Apart from humanitarian aid, our only success in the past 12 months has been in securing the release of the hostages who were held in custody for such an embarrassingly long time. That was achieved unquestionably with the active persistence and involvement of President Milosevic. In so doing, he downgraded Karadzic in everyone's eyes, and that man lost face considerably.

Will the Secretary of State give the House an assurance that the reports that Milosevic needs a relaxation of the sanctions on Serbia before he helps any further will not be heeded, and that the sanctions will become more stringent until he engages himself as energetically as he did previously?

Mr. Rifkind: Another great achievement in the past year has been further normalisation in central Bosnia, where the bulk of the British forces are found. The relationship between the Bosnian Croats and the Bosnian Government in that part of the country has improved radically. It is one of the benefits that we do not want thrown away by the departure of the United Nations forces.

With regard to sanctions, part of the discussions between Carl Bildt and President Milosevic concerned a possible package of measures whereby, in exchange for the recognition by Belgrade of Bosnia-Herzegovina with its present frontiers, there would be a suspension of certain of the sanctions that have been applied against President Milosevic's Government and country. That would be of benefit if it could be achieved. It is too early to say whether we can look forward to the success of that initiative.

Sir Anthony Grant (Cambridgeshire, South-West): Does my right hon. and learned Friend recall that, a few weeks ago, I asked his distinguished predecessor to bear in mind the military maxim that may have been from Bismarck—never reinforce a failure? Has not the attempt by the United Nations to solve the appalling civil war been a total and utter failure? Is not the distinction or the dividing line between the combat activity and the humanitarian activity of our troops becoming increasingly blurred? Will he ensure that the reinforcements will be sent in only to ensure the speedy return of British troops, and the sooner the better?

Mr. Rifkind: I do not believe that it has been a total and utter failure. While there have been massive disappointments in certain aspects of the policy, there have been equally great successes. A few moments ago, I mentioned the huge progress that has been made in central Bosnia. When I first visited that area, one had to travel around in an armoured vehicle. When I was last there, one was able to walk about without a flak jacket or any protection in large parts of central Bosnia, where civil war had been raging only 12 months earlier. That continues to this day. It is a large benefit.

It is precisely for that reason that we are reluctant to see the withdrawal of the UNPROFOR forces, as that would be bad news for the enclaves and the rest of Bosnia. We are concentrating our attention today on the problems facing the enclaves, but they are five relatively small areas in a much larger country, much of which is at peace. It is important, if at all possible, that it should remain at peace, and not return to the bloody conflict of 12 months ago.

Mr. George Galloway (Glasgow, Hillhead): What does the Secretary of State, who in his previous job had quite a line in bellicosity, say to the charge on the lips of hundreds of millions of Muslims around the world this morning, that, if oil was flowing in the streets of Srebrenica rather than just blood, 29 countries would quickly have assembled a vast armada of armies and air forces to come to the rescue of a sovereign state and a member of the United Nations that is being invaded and subjected to brutal aggression?

If he does not think that that is a fair question, let him answer this one. Precisely why has the sovereign state of Bosnia-Herzegovina not been defended in the same way as the sovereign state of Kuwait?

Mr. Rifkind: I have to say to the hon. Gentleman that, although I respect the strength of his feelings, the contribution by western countries to the UNPROFOR force is very similar to the contribution made by a number of distinguished Muslim countries, such as Malaysia, Turkey and others, which have also sent forces, which are part of the UN force and which are carrying out similar work.

The reality is that there is a fundamental distinction between Bosnia and the other examples that the hon. Gentleman uses. As he well knows, those who are fighting within Bosnia are Bosnian Serbs, Bosnian Croats or Bosnian Muslims. We have a situation which, whether or not we choose to call it a civil car, is a war between people who all have their homes in the same territory.

[Mr. Rifkind]

That makes it a fundamentally different situation from the invasion of a country by a foreign army, and therefore to suggest that the solution that was appropriate in Kuwait is relative in Bosnia is simply unpersuasive and does not commend itself to the British Government or any other Government of which I am aware.

Sir George Gardiner (Reigate): Since it seems increasingly likely that British forces will have to be withdrawn from Bosnia, will my right hon. and learned Friend undertake—in close co-operation, of course, with his colleague the Secretary of State for Defence—total contingency planning, covering almost every detail, to ensure that no British soldiers' lives are lost in the inevitable and eventual withdrawal?

Mr. Rifkind: I can say to my hon. Friend that, over the past few months, NATO has been completing a substantial plan that would involve it being responsible for supervising the withdrawal of the UN force, if that should prove necessary. Virtually all the matters relevant to that plan have now been resolved, and therefore, if withdrawal, sadly, became necessary, I am confident that not only British but UN forces could be withdrawn in good order.

Mr. John Home Robertson (East Lothian): Has it occurred to the Secretary of State that things would have been very different if the United States had shown a fraction of the commitment that the Netherlands has given to the United Nations effort in Bosnia? As, I presume, the attack against Srebrenica would have been resisted had the new United Nations rapid reaction force been in place, will the Secretary of State now tell us whether that pre-emptive strike will be rewarded with success? Are we going to do anything about it?

Mr. Rifkind: The United States Government have made a major contribution, both in the air and at sea, to the policy of the United Nations. With regard to the rapid reaction force, we can make no criticism of the United States Government, who have made clear their determination, with all the power at their disposal, to provide their contribution to the financial support needed for that force, and also to provide lift facilities to transport the forces to Bosnia-Herzegovina, and in a number of other ways to enhance the equipment available to the force commanders.

Mr. Bill Walker (Tayside, North): I congratulate my right hon. and learned Friend on his new job, which he got on merit.

Will he confirm that the safe areas were never realistically able to be defended by the troops deployed there; that the rapid reaction force is not a military force capable of conducting aggressive warfare; and that it is there to defend the troops who are there on humanitarian aid? Will he also confirm that, in the event of any redeployment, of whatever kind, including withdrawal, that force will be used to ensure the safety of the troops already there? It is about time we told those who are calling for aggressive action that we have neither the numbers nor the assets to carry out any realistic aggressive action in that country.

Mr. Rifkind: I thank my hon. Friend for his opening remarks.

With regard to the safe areas policy, the United Nations made it clear, when the safe areas resolution was passed, that to be confident in enforcing the safe areas resolutions would, in their judgment, require an additional 36,000 troops. Britain, France, the Netherlands and one or two other countries responded to that additional call for extra support. I have to say that the vast majority did not, so from that moment onwards, there was no way in which one could ensure, by military means, the defence of the safe areas.

Mr. Mike Gapes (Ilford, South): Will the Foreign Secretary resist calls from the bombers and the "do something" brigade, and calmly consider the situation and the realities? Will he also go back to the Security Council and get it to adopt a more sensible policy in future—not calling for safe areas which are not and never can be safe, but agreeing, before adopting such resolutions in future, the resources necessary to realise them, rather than afterwards hoping that something will turn up?

Mr. Rifkind: Yes, there are times when United Nations resolutions or statements can have a persuasive effect on a course of action, and therefore one recognises that the language used can sometimes be beneficial. I certainly share the hon. Gentleman's anxiety that, if specific commitments are being given by the Security Council, the United Nations or any national Government, they should be given only when there is a clear will and ability to ensure the implementation of such decisions if they should be called upon to do so. That is perhaps where the problem has been most apparent in recent times.

Mr. Barry Porter (Wirral, South): Many years ago, during a very undistinguished academic career, I wrote a bit of a paper about international relations between the wars, with special reference to the League of Nations. All I can say is that I have a feeling of deja vu at the moment. Is not the reality that we pass these resolutions at the United Nations, the Americans are not keen, the Germans show a distinct lack of enthusiasm, and, to an extent, the whole thing is a waste of time? If we want to be an International Red Cross or a Salvation Army, fine, but that is as far as we can go, and that is the reality.

Mr. Rifkind: My hon. Friend is right to emphasise the limits of what can be achieved by the United Nations. But if one compares what has been achieved by the United Nations during the past few years with what was achieved between the wars by its predecessor, the League of Nations, one sees that the world has moved on, and that the UN has far more to its credit than the League was ever able to achieve. It may be that there are opportunities yet not fully exploited.

Mr. John Austin-Walker (Woolwich): I welcome the Foreign Secretary's response to the question by my hon. Friend the Member for Liverpool, West Derby (Mr. Wareing), but earlier he referred continually to the "warring parties". Will he now acknowledge that the legitimate multi-ethnic Government of Bosnia-Herzegovina has consistently shown its willingness to reach a negotiated settlement, whereas the Serbs have not?

Why does the right hon. and learned Gentleman find it surprising that Bosnians in UN safe havens who are totally unprotected should seek to defend themselves? How many

of the rapid reaction force, to the deployment of which he has referred, remain in Britain and the home countries that have agreed to send them?

Mr. Rifkind: I think that the hon. Gentleman in the latter part of his question is referring to 24 Airmobile Brigade. We are ready to begin the deployment of that brigade, but we require the agreement of the Croatian authorities, because it is necessary to use the town of Ploce on the coast in order to receive them. Much progress has been made in that area, but some formalities remain to be completed; we hope that they will be completed literally during the next two or three days.

Mr. John Wilkinson (Ruislip-Northwood): Vulnerability is not of itself a virtue, either for our troops in Gorazde or for the rapid reaction force. If my right hon. and learned Friend and his counterparts from Holland and France want to influence the situation on the ground, they may well have to use the only effective instrument that the alliance possesses, which is its air power. If it is not to be used as a mere pinprick, as a demonstration, it will have to be used in a sustained, concentrated and precise manner; otherwise, the Serbs will simply be goaded to further action. As I said, vulnerability is not a course of action that can be approved by the House.

Mr. Rifkind: I have listened carefully to my hon. Friend, and I know his great expertise on the use of air power. I would add that an additional requirement if air power is ever to be used is that it must be used in a way that does not endanger the safety of the many thousands of UN forces on the ground. That is an important factor, which is bound to be relevant as long as the UN is in Bosnia-Herzegovina.

Even if the UN withdrew from Bosnia, there would be substantial limits to what we could expect air power alone to achieve. In the past, it has been useful in softening up an enemy, if those in charge were then prepared to complete the process on the ground—which is what happened in Kuwait. By itself, however, it is unlikely to achieve the objectives that my hon. Friend and I share.

Mr. D. N. Campbell-Savours (Workington): Have not the Bosnian Serbs realised the truth—that trading of hostage-taking against air strikes works, because the western powers give in? Is not the reality that the Bosnian Serbs are now running amok? They are running rings around us, and making us all look like fools.

Mr. Rifkind: The reality is that air power has been used within the past 48 hours. It is available whenever the force commanders recommend its use. I do not believe that, in the first instance, the hon. Gentleman or any other politicians should decide whether to use air power on a particular occasion; in the first instance, such a decision must be based on a recommendation from those with responsibility for the well-being and safety of their forces. They must make their judgment in the light of the circumstances.

Mr. David Atkinson (Bournemouth, East): My right hon. and learned Friend has implied that the active good will and assistance of President Milosevic is an essential ingredient in the achievement of any political solution in Bosnia. What thought has been given to the conditions that Serbia would need to satisfy should it seek any future association with European institutions such as the Council of Europe, the Organisation for Security and Co-operation in Europe and the European Union, from which it has rightly been excluded so far?

Mr. Rifkind: Of course we look forward to the day when such an association might be possible, but it clearly cannot be considered at a time when the international community deems it appropriate to impose sanctions against the Government in Belgrade because of their support for the aggression in Bosnia-Herzegovina. A change in that position is clearly a precondition for the normalisation of relations with President Milosevic's Government in respect of other matters.

Mr. Tony Banks (Newham, North-West): May I echo the Foreign Secretary's earlier words, and say that surely the Rubicon has been crossed? By invading the safe haven of Srebrenica, the Bosnian Serbs have declared war on the United Nations. In the event of their not meeting the various requirements that have been communicated to them, what action will be taken? Has any time span been imposed?

Mr. Rifkind: I am not sure what action the hon. Gentleman is advocating. It is easy to use expressions such as "declaring war on the United Nations", but the hon. Gentleman must reflect on whether he wants much larger numbers of forces to be sent to Bosnia-Herzegovina to become involved in combat with the Bosnian Serbs, for however long, and with whatever consequences. If that is not the hon. Gentleman's objective, he must, in all fairness, recognise the limits of what he can expect the United Nations to be able to deliver.

Mr. Tim Devlin (Stockton, South): Does my right hon. and learned Friend accept that, if the United Nations does nothing about the fall of Srebrenica, its credibility is completely gone? All we will be able to do then is accept that we have got it wrong, take our troops out, and either bring them back in some other guise—with a proper command structure and a proper objective, perhaps under European control—or leave them at home in their barracks, where at least they will not be killed by a bunch of bandits.

Mr. Rifkind: As I said earlier, I believe that the objective over the next few days should be to bring about circumstances in which the Bosnian Serbs agree to withdraw from Srebrenica, and the Bosnian Government accept the need for the town and the enclave to be dimilitarised. That is not unreasonable; after all, in 1993 both parties agreed to implement just such a policy.

It is unfortunate that, over the past two years, neither has felt able to comply with that commitment. If they felt able to do so now, it is still possible that a solution could be achieved that would enable the enclave to continue to provide a haven for those who live within it, and enable the Bosnian Serb forces to withdraw. That is, at least, an objective that we should pursue.

Mr. Tam Dalyell (Linlithgow): Can the Foreign Secretary conceive of any circumstances in which air power could be used without creating a real threat to United Nations forces on the ground? Can the House of Commons have the assurance that Her Majesty's Government are advising all others, particularly the Americans, not to use further air strikes?

Mr. Rifkind: Yes, I believe that there are circumstances in which the use of air power could be beneficial, particularly with regard to what is called close air support,

[Mr. Rifkind]

where air power is used to provide added protection for UN forces that might be under attack, as we have seen in recent times. There are therefore circumstances in which it is appropriate, but clearly it must be used in a way that does not jeopardise the safety of the forces on the ground; that is why the dual key procedure has been evolved in the past three years to take account of that fact.

Mr. Jim Marshall (Leicester, South): May I ask the Foreign Secretary to reconfirm that peacekeeping operations will be successful only if they have the consent of all the warring factions involved in the dispute? Does he further accept that, if that consent, whether total or partial, is seen to be withdrawn, withdrawal of troops is not a humiliation but could well be a necessity?

Mr. Rifkind: The hon. Gentleman is correct to say that, at the very least, peacekeeping in any country, not just in Bosnia, requires a minimum degree of co-operation from the parties concerned, or the only option available is to use peace enforcement, which is a different concept, requiring different military capability and a different mandate. The hon. Gentleman is absolutely right: if a peacekeeping force does not receive a minimum degree of co-operation, to withdraw is in no way a humiliation; it is a recognition that those we are trying to help refuse to provide the co-operation that is essential to the UN doing its job.

Mr. Max Madden (Bradford, West): Given the terrible inevitability of this tragedy, what excuse can be left for denying arms to Bosnian Government forces to defend their people and territory from external Serbian aggression? Will the Foreign Secretary confirm what I understood him to say today—that Her Majesty's Government will support a lifting of the arms embargo, but that that rests with the Bosnian Government formally requesting a withdrawal of the UN protection force?

Mr. Rifkind: Her Majesty's Government continue to believe that the lifting of the embargo would be foolish and is unwise, and we do not propose to support such a proposal. I was referring to the statement of fact, that the Bosnian Government have said that they would rather that the UN remained in Bosnia than that the embargo should be raised and the UN withdraw. That remains the choice that is available to them. I can see no circumstances in which it would be appropriate for the UN to remain in Bosnia if the UN was authorising the supply of weapons to one side in this war.

Mr. John Gunnell (Morley and Leeds, South): With the benefit of seven weeks' hindsight, does the Foreign Secretary not agree that the hostage crisis and the safe areas crisis are part of a pattern of pressure from the Bosnian Serbs to bring about withdrawal? In those circumstances, are not the suggestions of withdrawal from hon. Members on both sides of the House music to the ears of Bosnian Serbs, and would not a withdrawal lose much of the benefit of which the Foreign Secretary has spoken? Would it not mean just the prolonging of life, not the saving of life, and would it not be the biggest blot on the 50-year history of the UN?

Mr. Rifkind: I agree with the hon. Gentleman, but both he and I must acknowledge that the circumstances might arise that would make withdrawal inevitable. We cannot say that the benefits are of such an order that we can justify the continuation of British and other UN troops in Bosnia, regardless of the threat to them, of the loss of life that they might incur, and of other such factors, so it must be a balanced judgment. At this moment, we still conclude that the benefits of their presence outweigh the disadvantages, but that argument becomes increasingly difficult to sustain if we see developments of the sort that have arisen in recent times.

Dr. Norman A. Godman (Greenock and Port Glasgow): What is the Foreign Secretary's view of the growing campaign, led by Senator Robert Dole, which seeks to end American support for the arms embargo on the Bosnian Government? Is the right hon. and learned Gentleman entirely dismissive of the growing belief that a powerful Congress could force such an initiative on a President who is not known for his decisiveness?

Mr. Rifkind: It may not be irrelevant that the sort of views that Mr. Dole is reported as holding were held by many in the American Administration before they took office, but, faced with the realities of the circumstances in Bosnia, and having been required to carry out analysis as to the likely consequences of lifting the embargo, the United States Administration, including President Clinton, have come to the unequivocal view that the lifting of the embargo and the withdrawal of UNPROFOR would be an extremely foolish initiative, and should not be supported.

Mr. Tony Marlow (Northampton, North) *rose—*

Mr. David Tredinnick (Bosworth) *rose—*

Madam Speaker: Order. Mr. Tredinnick, do I understand that you heard the Secretary of State's statement but left the Chamber for some 20 minutes during questioning?

Mr. Tredinnick: That is correct, Madam Speaker.

Madam Speaker: In that case, I do not know how I can call you to ask a question, because you do not know whether your question has already been answered; therefore, to put it might be an abuse of the House's time. Does the same apply to you, Mr. Marlow?

Mr. Marlow: I was out of the Chamber for three minutes, Madam Speaker, but I was here for the whole of the rest of the statement.

Madam Speaker: In that case, I call the hon. Member to put a question to the Foreign Secretary.

Mr. Marlow: Is it not the case that, as long as they are having a worthwhile effect and the risks are tolerable, Her Majesty's forces are, for several and various reasons, enthusiastic to remain in Bosnia?

Mr. Rifkind: Yes, I believe that to be the case. Certainly, on each of the five occasions when I have been in Bosnia and met members of our armed forces serving there, I have noted considerable enthusiasm for the work that is being done, because they can see the benefits to the people of Bosnia whom they are trying to help. Of course, occasionally, when they are in a location where they cannot help and are being prevented from distributing aid or escorting convoys, there is some frustration. But throughout Bosnia they believe, and rightly so, that the work being done is of enormous importance, and is directly contributing to the saving of life and other objectives of that kind.

Points of Order

4.40 pm

Mr. Tony Banks (Newham, North-West): On a point of order, Madam Speaker. I do not know what plans you have for the weekend but if you are staying in your official residence, I fear that your peace will be sorely disturbed by a rave party that is being organised and is advertised in the current edition of *Time Out* in county hall. Given that the House has taken a decision about illegal rave parties, could you make inquiries to ensure that the Japanese owners of county hall do not proceed with that rave party? It would be an insult to the House and it could result in severe damage to county hall. Will you please make some inquiries and get it stopped?

Madam Speaker: I shall certainly give no such commitment to the hon. Gentleman, but I can tell him that I have been disturbed before, whether by rave parties I am not certain, by the activities at county hall.

Mr. Peter Luff (Worcester): On a point of order, Madam Speaker. I would appreciate your guidance on some remarks in the Chamber yesterday evening during the debate on rail privatisation. During my speech, I drew attention to the poor attendance on the Liberal Benches for the debate on a motion that the Liberal Democrats had inspired, and I mentioned their failure to seek to catch your eye in that debate. A Liberal Member intervened and said:

"in a three-hour debate such as today's, we are not entitled to more than one speech at the beginning and one at the end. We could not intervene even if we wished to do so."—[*Official Report*, 11 July 1995; Vol.263, c.787.]

I would appreciate your clarification, Madam Speaker, that while they are entitled to open and close their debate, they are perfectly free to catch your eye, as five successive Conservative Back-Bench Members did yesterday. Is not the real reason for their absence that they were just not interested in the debate, and does that not show an appalling lack of gratitude for your championing of the rights of Back-Bench Members?

Madam Speaker: All Members know that, if they wish to intervene at any time on someone else's speech, it is for the Member who has the floor to decide whether to give way. Quite a number of Members wished to speak in both the debates that were sponsored yesterday by the Liberal Democrats.

Perhaps we might get on. I have an inordinately long list of Members who wish to speak in the debate today, and I shall have to limit speeches by Back Benchers to 10 minutes.

Mr. Luff: Further to that point of order, Madam Speaker.

Madam Speaker: Order. It was not a point of order for the Chair. We have enough business without petty points of order from all parts of the House. We have business to conduct

BILL PRESENTED

Fair Employment (Duty on Northern Ireland Departments)

Mr. Michael Connarty presented a Bill to make it a duty of every Northern Ireland Department to promote equality of opportunity: And the same was read the First time; and ordered to be read a Second time upon 14 July, and to be printed. [Bill 163.]

Youth Service

4.43 pm

Mr. Peter Kilfoyle (Liverpool, Walton): I beg to move,

That leave be given to bring in a Bill to establish the Youth Service on a statutory basis.

I seek leave to bring in the Bill in the full knowledge that hon. Members in all parts of the House have, over a long time, sought to bring in such a measure to establish the youth service in such a way. The reason seems self-evident. It is that the youth service is an extremely cost-effective way to deal with the many problems that young people face.

That great watershed, the Education Act 1944, set in motion a train that was reinforced by a number of reports commissioned by the Government. They were the McNair report, the Jackson report and the Fletcher report. Interestingly, when we reached about 1957, the Albemarle committee was set up in response, ironically enough, to the Notting Hill riots. Its work added substance to a national consensus towards establishing the youth service on a statutory basis.

Sadly, in recent years the youth service has shown a marked decline. I would argue that Government action has subverted its role. It is also interesting that the last time that there appeared to be a major Government interest in youth service provision was after the 1981 riots. I hope that it will not take another round of riots before we interest the Government again in the state of the youth service and the lack of resources it faces.

The youth service most certainly faces a lack of resources. I mentioned that it was a cost-effective service. The cost works out at roughly £10 per annum per youngster who uses it. More than 5 million people use the youth service. Those 5 million young people who are actively in contact with the service are serviced by only 6,000 full-time youth workers in England, Scotland and Wales combined. They are assisted by thousands of part-timers, and more than 2 million volunteers who give of their time and energy. Those people obviously recognise the value of the work that is done, not only in the local government sector but—the vast majority—in the voluntary sector.

If nothing else, both the voluntary and the statutory sectors recognise the community of interest they have in having the youth service placed on a statutory basis. There are now fewer full-time youth workers than in 1978. The voluntary sector has suffered in the same way in terms of Government cuts. NABC-Clubs for Young People, a charity, has reported that its funding from central Government has fallen by 40 per cent. Its funding from local government has fallen by 10 per cent.

The reason is not too hard to divine. As the youth service is not on a statutory basis, when Government cuts are forced through in education throughout the land, it is always one of the first services to suffer. I would argue that that is untenable, given the situation our young people face today.

I remind the House that 750,000 young people between the ages of 16 and 24 are outside work, outside education, outside training, outside benefits and outside Government statistics. Those 750,000 people are our own disappeared, disengaged and alienated section of the population. If that does not trigger a response from Members of Parliament and Conservative Members in particular, they should remember that, at the last general election, 2.5 million first-time voters—the self-same young people—did not bother to exercise the franchise. That was almost 47 per cent. of the total.

We talk about the alienation of our young people from the political process. It is not too hard to see why they are alienated, given that they are in a changing world, facing different problems from those that the vast majority of hon. Members on both sides of the House knew when they were young.

Let us think back to our own years in that age group. The majority of people in the House were in that age group in the 1950s, 1960s and 1970s. In those days, there was open access to education. One could look for a job of whatever sort. They were the halcyon days of apprenticeships for huge numbers of our young people. They were days when people felt engaged. They had hopes and aspirations that were achievable.

That has sadly changed. A whole group of people are shown in survey after survey to have no inclination towards what we would call orthodox society. They are turning their backs on it, for the simple reason that they perceive that we have turned our backs on them.

There is one vital difference between the experiences that we all had and those of young people today. They do not have recognisable rites of passage or know that there is a flow to their lives with regular markers that they can follow, such as going into the work force as an apprentice and getting qualified, having access to education, knowing that at the end of it one can get a job or access to something as simple as benefits. Many of our young people—about 160,000 16 and 17-year-olds alone—have been taken completely out of the benefits net.

One of the few agencies that is actively involved with engaging young people in a debate about their interests and future is the youth service. It deserves all the support and encouragement we can give it. We have to say to young people, even if it is by proxy through support for a statutory basis to the youth service, that we are concerned about delivering to them. After all, they are our future. We only steward the country for their generation and for generations to come. Our stewardship is failing them badly.

Question put and agreed to.

Bill ordered to be brought in by Mr. Peter Kilfoyle, Mr. Greg Pope, Mr. Alun Michael, Mrs. Jane Kennedy, Mr. John Heppell, Mr. David Jamieson, Ms Ann Coffey, Mr. Keith Vaz, Mr. Kevin Hughes, Mr. David Hanson, Mr. Tony Lloyd and Mr. Mike Hall.

YOUTH SERVICE

Mr. Kilfoyle accordingly presented a Bill to establish the Youth Service on a statutory basis: And the same was read the First time; and ordered to be read a Second time upon Friday 14 July, and to be printed. [Bill 164.]

The Economy

[Relevant document: The Minutes of Evidence taken before the Treasury and Civil Service Committee on Wednesday 5th July and Thursday 6th July (House of Commons Papers Nos. 650-ii and iii.]

Mr. Deputy Speaker (Sir Geoffrey Lofthouse): I have to inform the House that Madam Speaker has selected the amendment standing in the name of the Leader of the Opposition.

4.51 pm

The Chancellor of the Exchequer (Mr. Kenneth Clarke): I beg to move,

That this House welcomes the publication of the Government's latest forecast, which shows growth continuing at a steady and sustainable rate, inflation remaining low, exports rising and Government borrowing falling; and recognises that this favourable outlook for the economy is a result of the Government's firm commitment to the healthy and sustainable recovery of a modern and competitive industrial economy.

On Monday, Welsh Labour and Liberal Members failed to turn up at Welsh Question Time. I can only assume that they could not think of anything that they wished to say or ask. I am rather surprised that the hon. Member for Dunfermline, East (Mr. Brown) has turned up this afternoon, because he can never think of anything to say that resembles an economic policy. In fact, he comes to debates only when he has to. Once a year at the Budget, and once a year for the summer economic forecast, he hears me describe the progress of the recovery and I set out the encouraging framework for the year ahead. The hon. Gentleman gets up, tells us a few jokes, gives us a few grumbles and platitudes and then he is away again.

All the parliamentary days that the Opposition have allocated to them during the year are problems for the Labour party. It has to cast around for subjects that it wishes to raise. Never once in my time as Chancellor of the Exchequer has it asked for a debate on the British economy. This is a debating Chamber, but so far I have had two years of debating with a tartan Trappist monk.

Why can that be? Why has the hon. Gentleman suddenly become such a diffident shadow Chancellor? The summer forecasts, which we are debating because they are statutorily produced at this time of year, show why. They show that the British economy is doing well and that it will carry on doing well. Anything that is good news for Britain is very bad news for the Labour party.

With every quarter that goes by, this country creates more wealth and more jobs and wins more export markets. The day steadily gets nearer when most people will appreciate from their daily lives that this healthy recovery is delivering rising living standards, more secure employment and more secure family finances.

How can the hon. Gentleman make a speech as shadow Chancellor when he cannot even say whether he agrees with me on interest rates? How can he face the House when he does not have an inflation target? How can he criticise the public finances when he will not say whether public borrowing is too high or too low? He only sets himself a borrowing target that is about as rubbery as an elastic band.

Mr. Alan Milburn (Darlington): Will the Chancellor give way?

Mr. Clarke: It is a little early. I usually give way frequently and shall do so in due course if Mr. Deputy Speaker allows it.

Mr. Gordon Brown (Dunfermline, East): On the precise matter of the borrowing target, given that the Prime Minister said in 1988 that he would balance the Budget every year, will the Chancellor tell us the first year when he will be able to balance the Budget—is it this century or the next?

Mr. Clarke: There is a forecast which shows that we are well on course to balance in the medium term. Recalling the Red Book, I think that we show balance in about 1998-99, or something of that kind. We are certainly on course towards balance in the medium term.

Mr. Brown *rose—*

Mr. Clarke: I shall give way again in a moment. In the two years in which the hon. Gentleman has failed to raise the subject of the British economy in the House, he has seen us cut the forecast borrowing requirement, from £50 billion when I took office, to £23.5 billion next year. We have halved it. We are reducing public borrowing and controlling public spending despite all the hon. Gentleman's votes against us. We are well on course to balance in the medium term.

Mr. Brown: Given that the Government have broken all their promises on tax and are now breaking their promises on spending, will the Chancellor confirm that he is breaking the promise made on the balanced Budget? The Prime Minister said that the Budget would balance every year. Will the Chancellor tell us in which year the Budget will balance, and confirm that in 1998-99 there is a deficit of £5 billion in the Budget forecast and that he is wrong?

Mr. Clarke: It is my recollection that the Government's policy—in contrast to the Opposition, who have not had one—is to move towards balance in the medium term. That is all I can recall. I do not recall the 1988 quotation and I do not rely on the hon. Gentleman's recollection of it. We have always made it clear that we believe in balancing the public finances over the medium term. It has always seemed to me obvious that public finances go into deficit in times of recession and recover at the top of the cycle. We are on course for that. Indeed, we have been controlling public borrowing very effectively for the past two years in the teeth of the votes and opposition of the hon. Member for Dunfermline, East.

Mr. Milburn: Will the Chancellor give way?

Mr. Clarke: No, I must press on to the summer economic forecast, which is what we are debating and which the hon. Member for Dunfermline, East must have forced himself to read. No doubt he read it through tears and while concentrating ground his teeth, because the summer economic forecast shows that 1994 was an excellent year for the British economy. Output grew by around 4 per cent., which was faster than in any other major European economy; inflation had its best run since the early 1960s; exports grew by more than 8 per cent.; and unemployment fell by more than a third of a million in 1994 alone.

[Mr. Clarke]

The combination of healthy growth, low inflation, strong exports, rising incomes and employment and a falling budget deficit is set, as the forecast shows, to continue in the years ahead. These are the best economic prospects for future growth and prosperity that I have seen in my career in politics.

Partly due to the policy measures that I have put in place, growth has slowed to a more sustainable rate this year. That is deliberate and desirable. The British people want greater economic security and they want to be sure that this time growth will last. The Government are working hard to deliver an economic recovery on which the public can rely—*[Interruption.]* I shall return to the amendment signed by the hon. Member for Bolsover (Mr. Skinner) and his economic policy in a moment. I was delighted to see it on the Order Paper and I shall give it its fair measure of attention when I get there.

The hon. Member for Bolsover has far more by way of clear economic policy than members of the shadow Front Bench. The contrast between the two is interesting and enlightening. Although it was not called, I propose to speak to the hon. Gentleman's amendment if I can do so and remain in order.

Mr. Tony Marlow (Northampton, North) *rose—*

Hon. Members: Give way to him.

Mr. Clarke: I shall give way to the hon. Gentleman—my hon. Friend—in a moment. Surrounded by a range of opinions on this subject, the Government are delivering a healthy economic recovery, which will not be derailed by inflation, as it so regularly has been in the past.

Mr. Marlow: My right hon. and learned Friend knows that the list of wonderful and desirable things he is talking about could well be affected by whether at some stage the United Kingdom joins the single currency. There was a vote last week in the Conservative party and 89 of his colleagues signified their support for a platform of no single currency. Does not that mean that there is no possibility in the near future that a Conservative Government could ever seek to put a single currency before the British people? If so, would not it be wise to advise the Europeans that there is not going to be a single currency in Britain? *[Interruption.]*

Mr. Deputy Speaker: Order. Before the Chancellor answers, the House must settle down. I remind hon. Members that interventions are supposed to be brief and to the point.

Mr. Clarke: I shall stick to the summer economic forecast. We have come here to debate the summer economic forecast, yet those on the Opposition Front Bench have nothing to say, Opposition Back Benchers wish to put forward a very socialist programme and my hon. Friend the Member for Northampton, North (Mr. Marlow) brings up one subject, regardless of what we are debating, on each and every occasion. Judgments about the single currency will be made in the interests of the British economy and in the best judgment of the House if and when the issue arises. At the moment we have a strong, steady recovery, which must be sustained.

The Treasury summer economic forecast shows that we remain on course to deliver sustainable growth. There is no need to react too strongly to the recent slowdown in activity. The reason why I am confident that this is merely a change of pace on a continuing running recovery is that the fundamentals of the economy are now in such sound shape. We expect the economy to grow by around 3 per cent. this year and by 2¾ per cent. next year. That growth will continue to be led by exports, supported by business investment. We expect the current account balance to continue to narrow from £2 billion in 1995 to £1 billion in 1996.

One important feature of the recovery has been that inflation has stayed low as the recovery has matured. Underlying inflation has now been below 3 per cent. for the past 20 months. That is the best performance on inflation that this country has seen since 1961. We expect underlying inflation to rise temporarily to around 3 per cent. by the end of this year, as some of the effects of the recent depreciation of sterling and the worldwide increase in commodity prices feed through into the price change. We then expect inflation to fall back to 2½ per cent. by the end of 1996.

The forecast also shows that Government borrowing is on a clear downward path. We expect the public sector borrowing requirement to have halved between 1993-94 and 1995-96 and to fall to £16 billion—just 2 per cent. of gross domestic product—in 1996-97.

Mr. Malcolm Bruce (Gordon) *rose—*

Mr. Clarke: Britain's budget deficit is falling faster than that of any other major European country.

Several hon. Members *rose—*

Mr. Clarke: I think that the hon. Member for Gordon (Mr. Bruce) was first.

Mr. Bruce: I appreciate the fact that the Chancellor wished to finish that point. Does he believe that the forecast of a public sector borrowing requirement of £16 billion for next year would be a favourable background against which to cut taxes, or that he should be continuing to fulfil the golden rule of achieving a balanced budget?

Mr. Clarke: I have always refused to set a figure at which we would cut taxes and a figure at which we would increase them. Budget judgments are far more complex than that. However, it is absolutely essential that public sector borrowing is on course to achieve the balance over the medium term, which is the Government's clear target. Other than that, it is not as straightforward as the hon. Gentleman states, or merely a matter of saying that the PSBR is a particular figure this year and that taxes go up or down.

Mr. Milburn: Will the Chancellor explain why the summer forecast has revised the PSBR upwards from £21 billion to £23 billion? Will he answer the question asked by my hon. Friend the Member for Dunfermline, East (Mr. Brown), the shadow Chancellor: on which date does he expect there to be a balanced budget?

Mr. Clarke: I have explained to the Treasury and Civil Service Committee why we have revised the figure up slightly. The tax take is somewhat lower than we expected for a variety of reasons, including our success with inflation. When wage inflation and other inflation is kept

down, the tax take is reduced. It is an irony that, on the margins, low inflation is bad for the PSBR. Our taxes are affected by a low level of inflation, but we set the spending budgets of the Departments in cash so that they spend up to the cash figure set on higher estimates of inflation. That is why we have changed the figure.

Mr. Milburn: What about the target?

Mr. Clarke: The target is to move towards balance over the medium term. I do not believe that, some time in 1988, we made a different promise. I seriously doubt that, but I shall check.

Mr. Gordon Brown: On balancing the budget and tax cuts, will the right hon. and learned Gentleman confirm the following statement in the Conservative party economic brief for this debate? It states:

"The Prime Minister has announced that it is his objective to reduce capital and inheritance taxes, and if possible, abolish them altogether."

Is it the Government's policy to abolish capital gains tax and inheritance tax at a cost of £3 billion?

Mr. Clarke: I heard the Prime Minister last give that long-term objective in a recent speech. In the longer term, I know that the Prime Minister believes that it should be reasonable to get rid of capital gains tax and inheritance tax as well. Inheritance tax is extremely uneven in the way that it falls. Capital gains tax in this country bears quite heavily on some forms of investment, but the Prime Minister has given no sort of commitment about when we might achieve such an ambitious objective. *[Interruption.]* I heard the speech, unlike the hon. Member for Dunfermline, East. The Prime Minister set out those objectives as a long-term aim for the Conservative party.

Mr. Brown: It is becoming very revealing that the Prime Minister is announcing the Chancellor's decisions in advance of the Chancellor, but will the right hon. and learned Gentleman further confirm that it is now the Government's policy to tax executive share options as income? Having resisted it in three separate Budget statements, but given that it is now being supported by the Tory members of the Employment Select Committee and—I understand—by the Deputy Prime Minister, will the right hon. and learned Gentleman admit that he has been wrong and that it is now the Government's policy to tax executive share options as income and get millions of pounds into the Exchequer as a result?

Mr. Clarke: For a shadow spokesman who has not got a tax policy and cannot even say whether he thinks that taxes are too high or too low, the hon. Gentleman really must not mess about with his press cuttings in that way, trying to find interventions to make in a debate such as this. On share options, he must wait for the Greenbury committee report. *[Interruption.]* It was this Government who invited the setting up of the Greenbury committee and this Government who invited it to make recommendations. At the right time, we shall respond to Greenbury. Today, we are talking about a summer economic forecast, about which, for all the reasons that I have just been setting out, the hon. Gentleman does not want to talk. He is trying to change the subject from the British economy.

Several hon. Members *rose—*

Mr. Clarke: No, I am not giving way.

Mr. Brown *rose—*

Mr. Clarke: I will of course give way to the Opposition Front-Bench spokesman, but not for faffing about trying to get soundbites out of this morning's newspapers. I would like him eventually to address the strong and healthy economic recovery on which he has no comment and for which he has no alternative policy.

Mr. Brown: It appears that the Government's tax policy has been handed over, not only from the Chancellor to the Prime Minister, but to the Greenbury committee. Does the right hon. and learned Gentleman support the principle of taxing executive share options as income? Has he now changed his mind?

Mr. Clarke: The Government are a low-taxation Government. We believe that the economy is more efficient as a low-taxation economy. We have already introduced the lowest corporate taxes in the world, we have a long-term aim of tackling inheritance tax and capital gains tax, we have committed ourselves to considering the Greenbury committee's response and everybody knows that we shall continue to reduce taxation as and when we can afford it and when it is in the best interests of the economy, which is in stark contrast to the total silence on the subject from the hon. Gentleman.

Mr. Doug Henderson (Newcastle upon Tyne, North): Will the Chancellor give way?

Mr. Clarke: I have given way far too often. I shall be criticised shortly for having given way too much.

Sir Michael Grylls (Surrey, North-West): Will my right hon. and learned Friend give way?

Mr. Clarke: I shall in a moment. This debate is becoming a dialogue with a man so unwilling to give a speech on the subject before us that he is praying for 10 o'clock tonight and trying to find other things to talk about.

I have just described an extremely healthy economy. Why are we having this debate, except for an opportunity for the hon. Member for Dunfermline, East to try to follow up his morning's reading of the newspapers? One of the curious complaints that some people make about this recovery is that it is too virtuous. They say that, because it is led by manufacturing and exports, the British people have not felt any immediate impact on their spending pattern, and they say that because it is free of inflation, people with heavy debts are not seeing their debts eroded by a fall in the value of the pound.

All that tedious political chat about the feel-good factor at the end of last year has not made anybody believe the sort of rubbish that I have just been describing. The well-being of the people depends on wealth being created by a successful and competitive industrial economy. Secure prosperity cannot be created for families by short-term fiscal gimmicks or by letting prices and incomes rip. First, we must allow the economy to create the wealth and then the economy will distribute it. It is a virtuous recovery and virtue brings its rewards in confidence, security and prosperity for people once they are satisfied that the Government will deliver sustained performance.

[Mr. Clarke]

The strength of the British economy at the moment has not come about by chance. We now have the potential to enjoy the elusive goal of sustained, low-inflation growth because the Government have followed a determined and purposeful path. We have pursued the long-term interests of British industry and therefore of the British people.

The decisions that we have taken are now beginning to deliver real benefits to more and more people. Living standards are forecast to grow by £5 a week for households on average this year, and we forecast that they will rise by rather more than that the following year. Sticking to the policies that have pulled us out of recession can now ensure that living standards will rise not only this year and next year but the year after that and the year after that, and, I trust, for many years to come. That is economic security of the best kind. That is what families, pensioners, home owners, business men and everybody else in Britain today want.

Right hon. and hon. Members have the opportunity today to debate the latest Treasury forecast, and the excellent prospects for the economy and for our people, who expect to benefit from it. But of course forecasting is difficult, and the Government do not claim a monopoly of wisdom in that activity.

The hon. Member for Dunfermline, East used to come to the House with different forecasts of his own. Hon. Members will remember the unemployment forecast that he made in the House following the March 1963 Budget—[HON. MEMBERS: "When?"] I mean, the 1993 Budget. The hon. Gentleman must wish that it had been so long ago, but it was only two years ago that he said:

"I make one Budget forecast—that after the Budget, unemployment will rise this month, next month and for months afterwards."—[*Official Report*, 17 March 1993; Vol. 221, c. 289.]

What happened? Unemployment fell that month and the next month, and it carried on falling for months afterwards. It has fallen by more than 600,000 since the hon. Gentleman made that disastrous forecast on behalf of the shadow Treasury team.

It is not fair to say that the hon. Gentleman is never cheerful. He used to smile a little when giving his very gloomy forecasts of disaster for the British economy. In September 1993, even more recently, he said that the balance of payments deficit would worsen over the next two years. What happened? The balance of payments improved; export growth outstripped imports.

The shadow Chancellor can make extremely cheerful forecasts. He was most optimistic about the economic prospects for Mexico. Only last September, in a speech at the National Film Theatre—a suitable setting—he singled out Mexico as a country that had

"pursued the right kind of economic policies".

Only three months later the peso collapsed, the economy went into crisis and the International Monetary Fund was called in to stump up the biggest loan in its history. Perhaps the Mexicans, like the British, appreciate today's silence, the absence of forecasts and of any serious economic commentary by the hon. Gentleman.

However, the hon. Member for Dunfermline, East is capable of being clear about some things. In September 1994, he entirely dismissed his political party's principles and past. He said:

"The Old Labour Language—tax, spend and borrow, nationalisation, state planning, isolation, full-time jobs for life for men while women stay at home—are equally inappropriate to the demands of the future as they were to the needs of the past".

So much for the 1983 manifesto, on which the hon. Gentleman and the present leader of the Labour party were first elected to the House.

New Labour language is all platitudes and gobbledegook, and it is no longer I alone who says that. On the Order Paper there is an alternative amendment tabled by the right hon. Member for Chesterfield (Mr. Benn) and 15 other Labour Members. They have set out an alternative Labour party economic policy. *[Interruption.]* I am sure that that amendment can be spoken to later within the rules of order. It talks about the

"gap between rich and poor . . . and the damage being done . . . under capitalism".

It says that we are

"controlled by market forces which transfer power from the electors and their governments to unaccountable bankers and speculators",

and

"calls for . . . the maintenance of universal benefits"

at a dignified level, and

"reforms to restore the rights of local authorities and trade unionists and to liberate the people"—

Mr. Deputy Speaker: Order. That amendment is not the amendment that we are to debate.

Mr. Clarke: I accept your judgment, Mr. Deputy Speaker, but that amendment has a lot more content than the one that we shall debate.

Mr. Tony Benn (Chesterfield) *rose—*

Mr. Clarke: I shall give way in a moment—*[Interruption.]* I usually describe Labour Members in the House as sitting in baffled silence like stuffed ducks behind the hon. Member for Dunfermline, East, but now some of the ducks are quacking, and they are setting off in different directions.

I shall give way to the right hon. Member for Chesterfield; he and I are conviction politicians in our different ways. Labour Back Benchers and I agree on one thing: new Labour is a hollow sham—empty, vacuous and devoid of any principle or purpose. Hon. Members on both sides of the House want to hear no more lists of strategies and no more endogenous growth theory. They wish to know what is the economic policy of a party that wants to form a Government.

Mr. Benn *rose—*

Mr. Clarke: I give way to the right hon. Gentleman, with his distinctive views on the matter.

Mr. Benn: If the Chancellor of the Exchequer reads the book that Harold Macmillan published in 1938, he will find that Macmillan called for a planned economy to deal with unemployment. It is a sign of the change in the Tory party that it should have abandoned some of those principles that drew it in with the Labour party behind the idea of full employment, a national health service and a huge house-building programme after the war. The Chancellor should look at his own past and find out how far he has moved from it.

Mr. Clarke: I have read "The Middle Way" by Harold Macmillan, and I know that what the right hon.

Gentleman says about it is true. But between 1938 and 1995, the Conservative party has evolved its policies. At the moment, a modern industrial economy is best managed as we are managing it, producing growth, falling unemployment, rising employment and low inflation.

The right hon. Gentleman's party has also evolved since 1938, but not in the same way. He would not espouse all the positions held by the Labour party in 1938, but at least he has a core of conviction and principle behind his policies. He saw those policies evolve all the way to the late 1980s, when suddenly they stopped. The people elected with him on the 1983 manifesto now spend their time denouncing those principles to academic audiences. The right hon. Gentleman and I agree that what is before us now is a public relations creation with absolutely no content.

Mr. Nicholas Budgen (Wolverhampton, South-West): Will my right hon. and learned Friend give way?

Mr. Clarke: No, I shall press on for the moment, before I am in danger of being brought back to the single European currency. I do not believe that the hon. Member for Dunfermline, East has ever expressed any views on that, either, but he may have some; there may be more hope for him there than I thought.

The hon. Member for Dunfermline, East knows perfectly well what my questions to him are. Are interest rates too high or too low? Is the Government's inflation target too high or too low? Is public spending too high or too low? Are public borrowing and taxation too high or too low? Those are my questions, and we cannot have a serious debate with such a formidable Opposition unless they answer them. Until the hon. Gentleman can answer any of those questions, his party has no official policy on the economy and is not fit to be regarded as an alternative Government.

It may help the hon. Gentleman if I set out some of the basic principles behind the Government's economic policy, upon which the recovery so far has been based. First, we are the only party in the House that believes in the economic benefits of being a low-taxation economy. We also know that low taxation depends on firm control of public spending and borrowing. In my two Budgets, public spending projections have been reduced by about £45 billion, and as a result the budget deficits are on a clear downward path.

When we can afford it and when the economic conditions are right, we shall return to our tax-cutting agenda. The hon. Member for Dunfermline, East has no right to criticise our tax history when he opposed all the spending reductions that I have described.

Secondly, we believe that firm control of public borrowing is essential because public borrowing is actually taxation deferred. Under the Labour Government, the public sector borrowing requirement reached 9.4 per cent. of gross domestic product, and averaged almost 7 per cent. of GDP every year between 1974 and 1979. Since 1979, the PSBR has averaged 2.5 per cent. of GDP and, as I said, it remains back on course to move back towards balance over the medium term.

Thirdly, low inflation is necessary for growth to be sustained. Last week, the Labour leader made a speech marking the 50th anniversary of the Attlee Government. Today I shall make a brief reference to inflation, to mark the 20th anniversary of the time when inflation reached 26.9 per cent. under the last Labour Government.

The hon. Member for Dunfermline, East claims to be committed to low inflation, and says that a Labour Government would set an inflation target—he simply is not minded to say what that target is. He refuses to say whether he agrees with the Government's inflation target. I write to him—he will not speak to me—but he has still not replied to my letters of 12 May and 14 June, which asked him for his views on interest rates and inflation.

The fact is that the hon. Gentleman has nothing to say at all on the substance of monetary policy. He has no view on inflation, so he has no view on interest rates. I cannot recall any shadow Chancellor expressing no opinion on interest rates. That is quite an important subject, but I have not heard him express an opinion upon it for at least six months.

I am anxious to make our monetary framework and anti-inflationary policy one of the most open and transparent in the world. The hon. Gentleman is now saying that he agrees with my changes in procedure and openness. His only suggestion is to form a committee to which he will appoint all the members as, he claims, that will somehow reduce the political influence on the Bank of England. I do not quite understand that.

As a result of my changes, the hon. Gentleman now has all the information he requires. He has the minutes of a meeting that I had a few weeks ago, at which I had a difference in judgment with the Governor of the Bank of England. It was a matter of finely balanced judgment. The Governor and I have no difference in aim, and we share a strong personal commitment to making the British economy a low-inflation economy. The Governor and I must weigh the balance between the activity data on one hand and price pressures on the other. The Governor inclined one way; I inclined another. I decided that there would be no interest rate rise that day.

The shadow Chancellor has had weeks to study all the data that were before the Governor and me when we took that decision. He has even been able to read the minutes, see the arguments and read and consider the Governor's advice. He even has the benefit of hindsight, and he can look back now and say what his opinion might have been. Can this aspirant to high Government office say today whether he agrees or disagrees with my decision? The hon. Gentleman may be a slow decision maker, but if he is posing as a would-be Chancellor, he must show that he is capable of making a decision or having an opinion. But he is not capable. The hon. Gentleman does not have a view at all.

Let us hear it. Interest rates—too high or too low? What about my judgment on interest rates? The hon. Gentleman is meant to shadow my decisions. He is meant to say when he agrees with me and criticise me when he does not. He is a tartan Trappist monk with nothing to say on the key features of economic policy.

Most importantly, we believe that businesses, and not Government, create prosperity and jobs. The supply side reforms that the Government have put in place in the past 16 years have transformed the British economy for the better. All those reforms were opposed by the Labour and trade union movement when it held to its old principles.

[Mr. Clarke]

During the 1980s, Britain moved from the bottom to the top of the international league table for growth. There are now 50 per cent. more active businesses in Britain than in Labour's last year in office. Last year and the year before that, Britain had the fastest-growing major economy in Europe, and this year we look set for a repeat performance.

The hon. Gentleman and his party are still wedded to some old-fashioned approaches that would saddle British business with Government-imposed costs and make it more expensive to create jobs in this country. The minimum wage would cost thousands of jobs and would add billions of pounds to businesses' costs. The social chapter would destroy Britain's reputation—a reputation that matters to us—as the best place in Europe in which to invest and do business in the European single market.

The Government have set out clear objectives for our economic policy. We have an inflation target, a public borrowing target, clear plans for public spending and a longer-term commitment to reduce the basic rate of income tax to 20 per cent. Those are clear and decisive policies that are delivering the goods, and a forecast today shows that the economy is in the best shape for decades.

The British public want an economic recovery which lasts, which is for keeps and on which they can rely to bring rising living standards to them and their families to the end of the decade and beyond. Only modern Conservative economics can deliver that goal, and the summer forecast shows that, between now and the next general election, we can take the message of growth and hope from house to house and town to town in this country. Ours is a clear message, a Conservative message, and a message that is succeeding in making Britain an economic success story again, and I commend it to the House.

5.24 pm

Mr. Gordon Brown (Dunfermline, East): I beg to move, To leave out from "House" to the end of the Question and to add instead thereof:

'notes not only the Government's forecasts but the recent White Paper on competitiveness showing Britain lagging behind its major competitors in its preparations for the challenges of the future; regrets that living standards are still falling for millions of people as a result of the biggest tax rises in Britain's history and the recent rise in the costs of being a home owner; deplores the levels of long-term unemployment and youth unemployment still prevalent in Britain today; calls for an end to complacency over the levels of investment in technology, employment, training and skills and a recognition of the importance of higher levels of investment in new employment opportunities and in long term sustainable growth consistent with low inflation; and calls for a fairer Britain, including immediate Government action to tackle the excesses in the boardrooms of the privatised utilities.'.

Let me begin by welcoming the three new members of the Chancellor's Treasury team, and congratulating the Chancellor of the Exchequer on—how should I put it—holding on to his job. He is now confirmed as the Chancellor of the Exchequer; one of the second Secretaries of State.

The starting point of the debate is that the country needs real policy changes to prepare it for the great technological, global and financial changes that were barely mentioned in the Chancellor's speech. To bridge the investment and prosperity gap with our competitors, we need these changes.

First, we need detailed measures for new investment in the economy and for stability, including the new monetary framework that I have set out. Secondly, we need measures to ensure that there is a revolution in skills, with new policies—not just a new Department—for education, training and employment. Thirdly, we need measures to tackle long-term youth unemployment and to encourage a fiscal regime and policy with rewards and incentives that are fair and seen to be fair, and that means tackling many of the abuses in the privatised utilities.

We are faced with those great new challenges, and we are faced also today with unacceptably low levels of investment in the economy. The Government's own competitiveness White Paper said only a few weeks ago that an enormous task was yet to be faced, and there were more reports this morning of difficulty in the housing market and the labour market, and a report that manufacturing output is down yet again.

Given all that, the complacency of the Chancellor's speech—and, indeed, his whole attitude and approach—is breathtaking. It is remarkable that the Conservatives talk to the country about change when they are trying to occupy Labour's ground. They talk of intervention in training and education, and suggest that they will act to stem boardroom pay abuses.

The Chancellor was incapable of bringing anything new to his speech. He did not even have scant recognition of all the implications for his economic policy of his new next-door neighbour at No. 10a Downing street.

Sir Peter Hordern (Horsham): The hon. Gentleman has mentioned a matter to which he has referred in a number of his sound bites—investment in training and education. That will require more money. Will the hon. Gentleman now say whether that money will be raised through higher taxes or through higher borrowing? If, as is inevitable under all Labour Governments, it is through higher borrowing, in what way will the hon. Gentleman's Government differ from the experiences of every Labour Government since the war—borrowing too much, spending too much and finally collapsing into the arms of the IMF in abject surrender?

Mr. Brown: First, I would stop talking about new initiatives for training and education while cutting the budgets of training and enterprise councils, as the Government have done, in such a way as to downgrade the importance of training. Secondly, I would say yes, we need a statutory framework for training—not the voluntaristic approach adopted by the Government—and yes, I do believe that employers will have to contribute more to the training of the work force if we are to have a successful economy in the future.

The whole theme of the Chancellor's speech—if I heard him correctly—was that we have the best prospects that he has seen in 30 years. He said that we have "excellent prospects—the best in a generation." Tell that to the millions of home owners in the country; tell that to thousands of small business men who are worried about what is happening in the retail market; tell that to the construction industry, which reported only yesterday that it is in its worst position for three years in terms of new orders; tell that even to some members of the Conservative party, such as a well-known Tory fund-raiser who has lent the Tories thousands of pounds.

He has not said that we have the best prospects for 30 years—he has said that conditions are as tough as anything he has experienced in 26 years of business.

If the Chancellor wants to give home owners better prospects, having forced up their bills by 20 per cent. by cutting mortgage tax relief, why does he not agree that on Monday he will withdraw the proposal that will remove help for homeowners on income support when they are unemployed?

Sir Teddy Taylor (Southend, East): I appreciate the brilliant speeches that we have heard, but will the hon. Gentleman give some guidance to the people of Britain who want to know whether it is the basic aim of the Government, and the Opposition as an alternative Government, to seek to rejoin fixed exchange rates? May we have a brief answer to that question from the Government and the Opposition, as it would be of immense value and help to people outside?

Mr. Brown: We have no such proposal. The Government talk about a strong pound, but they should consider what has happened since 1979. Set against the deutschmark, the pound is now worth half what it was in 1979. The Chancellor told the Treasury Select Committee that economic conditions were bound to be reflected in what was likely to happen to the pound over time. It is a sad indictment of Government policy that the pound is now worth half what it was when the Conservative party came to office.

The Chancellor says that we face the best outlook for 30 years and that prospects are the best for a generation. I recall another statement that he made:

"We face the best economic outlook that most people of today's working generation have ever faced in their lifetime."—[*Official Report*, 20 March 1986; Vol. 94, c. 424.]

Today he makes the same claims with the same confidence, complacency and certainty, but when he made it in 1986, it was just before the Conservative party let inflation get out of control and interest rates rise, causing the worst recession for 60 years.

The Chancellor asks whether growth will last, and answers by telling us that this time of all times it will. Does he recall telling the Welsh Conservative party conference:

"There is no doubt we are now enjoying quite extraordinary growth. The real question is: will it last?"

"Yes," he said, "it can last." That was in 1988, just before the Conservatives drove the economy into recession. He praised, not the current Prime Minister but the work of Lady Thatcher, for all those achievements. Inside a year, that growth was to develop into a recession.

We have heard all the Chancellor's predictions and statements before. They are familiar boasts. The reason why they do not make sense is that the Chancellor and his colleagues have failed to tackle the underlying weakness of the economy.

Mr. Kenneth Clarke: We were enjoying a strong recovery in 1986-88, of a kind that was utterly unprecedented, as it was a recovery from the Labour years. Monetary policy and inflation went wrong in the late 1980s and the whole recovery was brought to an end.

I am now taking interest rate decisions to ensure that this recovery is combined with low inflation and that it lasts. Does the hon. Gentleman agree that monetary policy is crucial to that? Does that therefore mean that interest rates are crucial? What are his opinions on the interest rate decisions that I have taken in recent weeks?

Mr. Brown: It is because we think that monetary policy is important that we have made proposals for a new approach to monetary policy. Does the Chancellor support, as we do, the creation of a monetary policy committee within the Bank of England? Does he support, as we do, strengthening the Bank of England's advisory function? Does he support opening up the Bank of England to greater scrutiny of the advice that it gives, as many Conservative Members do? I see that the majority of Conservative Back Benchers present in the Chamber are supporters of the right hon. Member for Wokingham (Mr. Redwood), so the Chancellor should listen.

Does the Chancellor support, as we do, widening the scope of the group of independent advisers to the Treasury? Does he support the changes in monetary policy that would make it far more stable and consistent and end the uncertainty that occurs every time he meets the Governor of the Bank of England, which creates an unstable framework for the future of monetary policy?

While he is answering my questions, will he say which is his inflation target: 2.5 per cent.; 3 per cent., which he said is a triumph; or 1 to 4 per cent., which he announces to the public? Or would he, as he said to Conservative Back Benchers, reach 1 to 4 per cent. only on some but not on all occasions? Which is the Government's inflation objective?

Mr. Kenneth Clarke: It is no good the hon. Gentleman appointing a committee of his friends and cronies with the idea that that will tell him what to do about monetary policy. He says that I must make advice from the Bank of England more open. I have made it more open. The hon. Gentleman can read the advice of the Governor of the Bank of England. Were the hon. Gentleman ever Chancellor, he would have to decide whether he agreed with it. My inflation target is 2.5 per cent. or less. I set policy month by month to deliver that target until the end of this Parliament and beyond.

What is the hon. Gentleman's inflation target? He does not have one. His list of procedural changes is vacuous rubbish to try to cover the fact that he has no policy. He has just conceded on the critical policy judgment at the end of the 1980s.

Mr. Brown: The Chancellor has not answered my questions: what is the status of the 1 to 4 per cent. range? What is the status of the paper that he sent to Conservative Back Benchers saying that 1 to 4 per cent. was applicable most of the time but not all the time? What is the status of his statement that 3 per cent. would be a triumph? What is the Governor's advice on whether the Chancellor will meet the inflation target of 2.5 per cent.?

Mr. Kenneth Clarke: The target is 2.5 per cent. or less. As my speech made clear, it is not possible in the real world to hit the same figure month by month, because inevitable variations take place, so setting policy at 2.5 per cent. or less will in practice lead to inflation of between 1 and 4 per cent. The Governor and I agree on pursuing that target, which is set by the Government, and he advises me on monetary decisions that I must take to deliver it. That could not be clearer. It is ridiculous for the hon. Gentleman to make comments based on getting hold of a central office brief, which is perfectly open, and then to

[Mr. Kenneth Clarke]

say that that somehow alters the absolutely clear text of the speech that I had made, which the document simply purports to describe.

My inflation target is clear. What is the hon. Gentleman's? What is his current policy? How dare he come here and talk about monetary policy and interest rates when he has not a serious word to say on the subject?

Several hon. Members *rose—*

Mr. Brown: I shall deal with interventions from both sides of the Conservative party in a moment.

The Chancellor says that he is setting policy to reach an inflation target of 2.5 per cent. He has refused to answer my question as to what advice the Governor has given him.

Mr. Kenneth Clarke: The hon. Gentleman can read the Governor's advice for himself. Thanks to the changes that I have made, the Governor's opinions on this matter will appear at monthly intervals, but the hon. Gentleman will say nothing in response. He can read the minutes that I have published. [HON. MEMBERS: "Where are they?"] I do not have them with me, but hon. Members can read them. One can take a horse to water but one cannot make it drink. For the guidance of Opposition Members, I have published an accurate account of the Governor's advice. What does the hon. Gentleman do but come along and ask me what it is? He should go away and read it and then tell me whether he agrees with it.

Mr. Brown: The Chancellor will not tell us what the Governor's advice, is because the Governor has said that he will not meet the Chancellor's inflation target of 2.5 per cent. The reason he will not meet his inflation target is because the Chancellor has not addressed the underlying weaknesses of the British economy.

Mr. Budgen: Will the hon. Gentleman explain a little further his proposals for extra committees within the Bank of England? Is he really proposing that there should be some form of independence in the Bank of England, or is that just a bit of window dressing? Does he agree with the Government that, ultimately, any Government must take political responsibility for interest rates and be responsible to the House for them?

Mr. Brown: No, I do not propose independence for the Bank of England. But the demerits of the personalised system of the Chancellor meeting the Governor, which is the basis of setting monetary policy, without strengthening the advice to both the Chancellor and the Governor, has been exposed this afternoon by the Chancellor's failure even to remember what the Governor said to him.

Mr. Kenneth Clarke: Let us have a little clarity and common sense. The hon. Gentleman has just said that he believes that the Governor does not think that we shall hit our target and has implied that he agrees with the Governor. That means, I take it, that he would have put interest rates up.

Mr. Brown: What I said was that, under existing policies, the Chancellor would not meet his target. The reason that I said that he would not make his target—and the Chancellor should not try to misrepresent what I said—is that the Government have not tackled the underlying weaknesses of the economy, which are the barrier to long-term sustainable growth.

If the Chancellor—*[Interruption.]* Every time that is mentioned, the Chancellor laughs, but investment in manufacturing is 25 per cent. less than it was in 1989. Investment in the real economy is 10 per cent. less than it was in 1979. The Chancellor says that we are making an excellent recovery from the recession, but investment has increased by only 3 per cent. in the first years of what he calls a recovery, whereas it increased by 30 per cent. in the 1970s and by 20 per cent. in the 1980s.

We have a lower increase in investment out of recession than even in the 1930s. What some countries achieve by way of investment in a recession, we cannot even achieve in this country in a recovery. The failure to tackle the underlying weakness of manufacturing and general investment in the economy is the reason why, every time we expand as an economy, we run into inflationary pressures, we have to increase the amount of imports and interest rates have to be raised; and we are reaching that point at an earlier stage of the economic cycle than previously.

The idea, therefore, that the Government can offer the country the best prospects for 30 years based on a failure even to acknowledge the underlying weaknesses of under-investment in the economy is a myth that will be exposed cruelly as events take their course in the next few years.

Mr. Nigel Forman (Carshalton and Wallington) *rose—*

Mr. Peter Ainsworth (Surrey, East) *rose—*

Mr. Brown: I give way to the hon. Member for Carshalton and Wallington (Mr. Forman), after which I shall move on.

Mr. Forman: I seem to remember, having attended several of these debates in which the hon. Gentleman has sought to make these rather vacuous speeches, that his policy rests essentially on increasing public investment in education and training and other forms of human capital. Indeed, the Labour party waxes lyrical about that. The hon. Gentleman goes on to say—he said that last year and he said it recently—that he would finance that by increasing public borrowing. How can he possibly come to the House and claim that he would increase public borrowing without taking a risk on interest rates and the likelihood that, under Labour, interest rates would be higher?

Mr. Brown: It is the Chancellor who has increased the amount of borrowing in his forecasts, from £21 billion to £23 billion—from £12 billion to £15 billion next year—and still tells us that he will achieve tax cuts. I want borrowing to be cut, and the first way to cut borrowing is to cut unemployment in the national economy.

The reason that the Conservatives cannot solve those long-term problems of an economy that generates inflation as it expands and of an economy that requires higher interest rates as it moves forward is that they have not tackled those underlying weaknesses, which require an investment-led recovery. That is what the people of the country need.

Nothing has changed under the Government. Nothing has changed since the Prime Minister said that he had to have his re-election guaranteed by his party. Nothing has changed in the policies for education and training, for manufacturing, for investment and for the infrastructure of the economy. All that has changed is that we have the Prime Minister's announcement of what he calls a reconstruction of personnel in his Government.

It is not a reshuffle. It is not the refreshing of the Cabinet that took place last year, although the two members that he brought in then—the Chief Secretary and the Conservative party chairman—have now gone. It is what he advertised as a reconstruction of his Cabinet—a reconstruction, I suspect, only in the crudest motor trade sense, an attempt to salvage one passable vehicle from the wreckage of two.

What does that reconstruction add up to?

Mr. Quentin Davies (Stamford and Spalding) *rose—*

Mr. Peter Ainsworth *rose—*

Mr. Brown: I am not giving way again.

It adds up to a new Minister in charge of presentation, a new Minister in charge of information, a new Minister in charge of competitiveness—and those are only a few of the titles that the deputy Prime Minister has insisted on for himself.

What is that new job of Deputy Prime Minister all about, and what is its connection with the economic policies that the Chancellor must now make? How will the new Deputy Prime Minister define the purpose of his job? What will be his rallying call at the Conservative party conference in October in the new slot that must be taken away from the Chancellor for the Deputy Prime Minister?

Remember that famous conference speech that followed his ascent to the presidency, when he promised that he would intervene and intervene and intervene? When he stands up at Blackpool this year, will he echo that famous speech with a new promise of his purpose more in keeping with his new role, a new pledge to delegates of what he will personally do—interviews before breakfast on the "Today" programme, interviews before lunch on "The World at One", interviews before tea on "PM", interviews before dinner, and get up next morning and start all over again on an interview on the "Today" programme, complaining about bias against the Conservative party by the BBC? In spite of all the new titles that he has, the most important of his new responsibilities is as the Minister for keeping up appearances.

The Deputy Prime Minister is the new man at No. 10a and, to the Chancellor, Downing street looks a bit more crowded this week. We have that great new triumvirate of neighbours in Downing street, at Nos. 10, 10a and 11; the most powerful men in the country forming the new Downing street residents association.

There are some difficulties for the Chancellor and a distinct risk to his position in what is happening at No. 10a. Look at the remit for the work of the new man at No. 10a. He now chairs the Cabinet Ministerial Sub-Committee on Public Sector Pay—it sounds as though that should be the Chancellor's job. He chairs the Civil Service Employers Group—it sounds like the Chancellor's job. He chairs the Senior Civil Service Group—it sounds like the Chancellor's job. When Professor Peter Hennessy said that the Deputy Prime Minister would reach for the parts that no previous deputy had managed to reach, he presumably meant encroaching on the Chancellor's job at No. 11.

Mr. Peter Butler (Milton Keynes, North-East): On a point of order, Mr. Deputy Speaker. I am as happy as anyone else to enjoy a joke for a minute or two, but may I invite you to consider whether this has anything at all to do with the motion?

Mr. Deputy Speaker: That is a bogus point of order, and the hon. Gentleman knows it. If it had been out of order, it would have been ruled out of order.

Mr. Brown: I am talking about the conduct of economic policy and the way in which it will be managed in future.

I know that the Chancellor did not read works as trivial as the Maastricht treaty, but perhaps he should read the book that was written by the new Deputy Prime Minister entitled "Where There's a Will"—his clearly stated ambitions laid out as early as 1987—for the First Secretary is now doing everything that he signalled in that book.

The new Deputy Prime Minister said in his book that his ambition was to preside over what he now calls a transgovernmental machinery, chaired, naturally, by himself. What are the tasks? The promotion of Britain's strategic wealth-creating interests—it sounds remarkably like the Chancellor's job to me. The flow of incentives—it sounds a bit like the Chancellor's job to me. In his book he then says:

"This committee must also deal with another important issue—the tax system."

It sounds remarkably like the Chancellor's job again. What is the Deputy Prime Minister trying to do? It sounds remarkably like the Chancellor's job to me.

Indeed, if the book is pursued, the criticisms of what has gone wrong in the British economy are laid at one door by the Deputy Prime Minister—the door of the Treasury. He says:

"The weakness is that there is not sufficient challenge to Treasury judgments",

which may frustrate the strategic industrial objectives of the Government. Therefore one may expect some action in Downing street about that.

Of the Treasury, he says:

"What is interesting is how often the Treasury can fail to see the big defect in its conduct of affairs".

Is that not a formula that the Prime Minister has invented for serious conflict—indeed disorder? Already this morning, we had the divergence of opinions on executive pay.

What can we expect during the summer and the autumn? How will things settle down? What can we expect from this new Downing street residents association? Let me draw the Chancellor's attention to some of the problems that his new neighbour is likely to bring; the new hazards that threaten the once respectable residential cul-de-sac and have just been dumped on his neighbourhood.

Is the Chancellor prepared to put up with a neighbour giving loud radio and television interviews at all hours of the day and night? Is he aware of his neighbour's

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insatiable ambitions, which he is showing already, for home improvements, with a succession of new extensions at No. 10a encroaching on No. 10 and No. 11?

How will the Chancellor feel when he looks nervously out of his back window each morning and sees yet another unannounced Portakabin, so much so that the Downing street garden is at risk of being so encroached on that there will be standing room only for the press the next time that the Prime Minister resigns as Conservative leader?

How will the Chancellor feel when he walks out, that November day, with his Budget red box and finds his parking space blocked by the Deputy Prime Minister's Jaguar, and his own car cannot come in because the entrance is blocked by the media because the First Secretary is giving yet another interview in front of the cameras?

It is the familiar formula for trouble on the street—the build-up of tensions, noise, pushy and aggressive behaviour, territorial disputes, the long hot summer ahead in Downing street and aggressive men with not enough to do, men whose future employment prospects are bleak, with no long-term stake in society. Even the constant police presence will not provide reassurance. Appeals from senior community leaders, such as the right hon. Member for Old Bexley and Sidcup (Sir E. Heath), Lord Archer or the chairman of the 1922 Committee, will not be able to restore calm. As the Chancellor will discover in Downing street, two's company and three's none. By the autumn, he will become a convert to Labour's new solutions for curbing persistently anti-social neighbours.

I am glad that the Deputy Prime Minister is now in post, because the former President of the Board of Trade was far less complacent and he had a far greater appreciation of what is fundamentally and structurally wrong with the economy. The Chancellor will know that, in his previous works, the Deputy Prime Minister proposed a statutory approach to training—about which I was asked this afternoon—development agencies for England, which the Conservative party brief now criticises; signing the social chapter; new monopolies and merger legislation; and an industrial policy for the country.

The Government cannot implement those policies—even though they are right for the country—because they are so divided, from top to bottom, between right and left, about what must be done that there is paralysis at the centre of Government. They cannot adopt the industrial policy because the right oppose it; they cannot privatise the Post Office because the left oppose it; they cannot reform the City because Lord Hanson has threatened to withdraw his money; and they cannot stop the mad policy to privatise the railways because of the right wing.

People will remember that the big case made in support of the Prime Minister only a few days ago was not that he could lead the country and prepare us for the future, but that he was the only person who could unite the Conservative party. He was the least worst option, as the Minister of State for Transport said when putting his case. The Prime Minister has not introduced any new policies except for the one revealed by the Chancellor this afternoon when he failed to answer properly the question that I put to him.

The Prime Minister issued a manifesto, in that desperate period between wobbly Monday and wobbly Tuesday when he returned from Cannes, which is simply a group of uncosted spending promises. That is what the Conservative party has been reduced to in order to encourage its members to vote for the Prime Minister. The abolition of capital gains tax—one of the Prime Minister's objectives, as stated in a fax to the *Evening Standard* when it carried an article listing what the Prime Minister believed in—will create £1.6 billion, rising to £3 billion. The Chancellor should know that 50 per cent. of that will go to only 2,000 people in this country. It is a straight handout from people who are poor to people who are very rich.

Another aim of the Prime Minister is the abolition of inheritance tax. The Chancellor will know that, while there is a strong case for raising the threshold, the abolition of inheritance tax will create £1.4 billion, of which 50 per cent. will go to only 2,000 estates in the country. I can well understand that the Prime Minister is embarrassed. At the last election, he promised to do something about inheritance tax, but he never did. He broke his promises not only to the living, but also to the dead; such was the Government's failure to honour their tax promises from the election campaign.

There are other uncosted spending promises, such as the promise of tax relief for home owners—which has been signalled today in the press—and the promise of tax relief for community care. The Conservative party made £11 billion of uncosted spending promises in 11 days—that is £1 billion a day just to secure the Prime Minister's re-election as leader of the Conservative party. That is not a failure of Government; it is a failure of opposition. As the Chancellor prepares for opposition, he will have to learn the importance of not making uncosted spending promises.

The Prime Minister's proposals are targeted: they will target all the wealth on a privileged few. When a choice must be made about spending priorities in this country, it should not be in favour of tax cuts that are geared to the very wealthy, based on the abolition of inheritance tax and capital gains tax. If any Government are to be serious about justice and fairness, they must deal with the problems of education, health and our public services, while providing a proper tax deal for middle and lower income Britain.

The Chancellor must also realise that the case for taxing executive share options as income—the one proposal that the Prime Minister did not mention, but which is apparently favoured by the Deputy Prime Minister—should be accepted now. When everyone else pays income tax on all their income, apart from personal allowances, how can the Chancellor justify top executives in privatised utilities having the privilege of escaping paying income tax on their earnings and simply paying capital gains tax? How can the Chancellor justify the millions of pounds that have been lost to this country through his refusal to implement our policy in the past few years?

The Government have broken their promises on tax and on spending. They have broken all the promises that they made at the last election. The Conservatives said that they were committed to the biggest investment in transport infrastructure in our history; that promise was broken. They promised to invest in the railways, but that promise was broken. They promised to invest in housing, but that

promise was broken. They promised to invest in law and order and environmental protection, but those promises were broken.

The Government promised substantial assistance in the area of heritage, but instead they cut 5 per cent. from the budget. They promised to invest in the railways, but they cut the railway investment budget. They are now having to subsidise the franchise companies, not to improve the rail stock, but in order to make them saleable. The Conservatives have betrayed their promises on tax and spending, and this afternoon they betrayed their promise of a balanced budget.

Despite the Prime Minister's claim in 1988 that the Government would balance the Budget, the Chancellor cannot tell us the year in which he will do that. The Conservatives promised an economic miracle and they did not deliver it. They promised us zero inflation and they failed. They promised that the pound would replace the deutschmark, but that did not happen. They have broken promises everywhere.

The debate puts on record the fact that all the Chancellor's central economic promises have been broken, and the electorate will draw their own conclusions. The Conservatives can talk all they want about what the Prime Minister calls "reconstruction", but the trust that has been thrown away with 16 years of broken promises can never be reconstructed. People will never trust the Conservative party again. After 16 years of broken promises, while other countries move ahead and prepare for the future, the Chancellor must recognise that, along with the devaluation of our currency, we have seen a devaluation of the office of Chancellor and the integrity of the Government. The only way to ensure that there are no more broken promises is for the Government to go, and to go soon.

Several hon. Members *rose—*

Mr. Deputy Speaker: Order. Before I call the next hon. Member to speak, I remind the House that Madam Speaker has placed a limit of 10 minutes on all speeches by Back Benchers during the debate.

5.57 pm

Sir Peter Lloyd (Fareham): The speech by the hon. Member for Dunfermline, East (Mr. Brown) contained some very good jokes, but the content was extraordinarily thin. At one stage, it seemed that he was about to relaunch Harold Wilson's white-hot technological revolution, but even that went rather cold.

Time is short and many hon. Members wish to speak in the debate, so I shall confine myself to making only one major point. Many of my hon. Friends and some distinguished commentators have urged the Chancellor to make dramatic cuts in the Budget this autumn. They argue that it is essential to provide an extra stimulus to the economy, which, after a period of impressive growth, has recently begun to show some signs of sluggishness. They also believe that the policy would prove popular with electors, who need to be reminded that the Conservatives are on the electors' side when it comes to their take-home pay.

I do not know how much room for manoeuvre the Chancellor will have in November—I do not suppose that he is sure himself yet. However, I hope that he will view the advice about the sure-fire economic and political efficacy of tax cutting with the same shrewd scepticism that he displayed some months ago in response to Mr. Eddie George's recommendations that interest rates should rise.

I hope that the Chancellor will find that he can safely reduce some taxes and, if he does, I hope that he will use the opportunity judiciously, and remove impediments to economic growth and job creation. I hope also that he will remedy particular unfairnesses in the system, rather than spread largesse thinly and promiscuously across the board in an attempt to please everyone. But it does not appear that he will have very much scope for tax reductions in the autumn, unless he finds a way of reducing public spending much more thoroughly and speedily than any of his predecessors ever managed to do.

Public sector borrowing is still too high; what is more, it is higher than my right hon. and learned Friend the Chancellor forecast last year. Some of my hon. Friends might point out that that is because tax and other receipts are lower than forecast. Some of that may be due to lower inflation, but clearly there is an argument that economic activity is less than expected and needs some stimulus.

We have, however, had three years of tax increases, and it is easy to under-estimate the novel and tonic effect on the public of not being hit over the head with another round of tax increases. Unemployment continues to fall, and wage increases are in the pipeline. There are also some building society flotation windfalls that will add to consumer purchasing power.

It seems to me that the chief impediment to consumers actually spending more remains a lack of confidence in the future, and I do not believe that that will be alleviated by tax cuts this year. It will certainly not be by tax cuts trumpeted loudly as a spectacular break with the past three years. With the overshoot in public borrowing last year, this year and next year, I fear that any tax cut, large enough for the Chancellor to boast about it, would rightly undermine confidence in the City and abroad in his consistency and good housekeeping, and would leave taxpayers thoroughly unimpressed to boot.

The latter would no doubt willingly put the money in their pockets; they might even spend some of it, but they would certainly assume that it was a tacit admission that the Government had got it wrong again when they raised taxes last year. They would note that the election was getting closer, and they would ask whether it would not have been easier all round not to have hiked up taxes last year just to lower them this year. They would conclude simply that the Government did not know their own mind.

I believe that that conclusion would be confirmed when interest rates had to go up, as they surely would. Higher interest rates would not be good for investment, and the historically low rate of investment is probably our most persistent economic problem and the greatest threat to economic growth in the longer term.

Higher interest rates would not be good for consumer confidence, which has to be fortified if recovery is to continue. Keeping interest rates as low as possible is the one major piece of assistance that the Chancellor can give home owners who are caught in negative equity and first-time buyers who are keen to take advantage of comparatively low house prices. Avoiding higher interest rates is far more use to them than any of the expensive,

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ineffectual schemes that are being pressed upon the Treasury. Ill-timed and unjustified tax reductions will do them no service.

The Chancellor is an entertaining and interesting man, but I hope, that when he presents his Budget in November, he will have the courage to be boring. I also hope that his colleagues in government have the nerve and wisdom to support him in that. If he presents a Budget that is consistent with what he said last year and the year before and that is quite clearly not constructed with the next general election in mind, he will do much to sustain the healthy, export-led, low-inflation growth of the economy that we have managed to secure since we were liberated from the ERM. He will also have begun to restore in the public mind the Government's tattered reputation for good economic management, which they will need to recover if they are to win their next election.

6.4 pm

Mr. Robert Sheldon (Ashton-under-Lyne): The last time that the Chancellor debated economic matters before the House was 13 December 1994. It is quite disgraceful that we have just two economic debates a year. *[Interruption.]* It is no use the Chancellor protesting that it is up to the Opposition. We used to have debates on the Budget and the Queen's Speech, the expenditure debate, the Finance Bill debate and the regulator, as well as the summer forecast. All those debates were in Government time, and it is a scandal that we no longer have them.

Not only can we not question the Chancellor and find out his thinking, but we do not have the benefit of understanding what hon. Members have in mind and their views on economic matters. Many newer Members of Parliament have never made a proper economic speech. It is a major scandal, and it has to be put right by next year.

I start with our obsession with the one-club approach. I am sorry that the right hon. Member for Old Bexley and Sidcup (Sir E. Heath) is not here. He used to advocate the need for having rather more weapons at our disposal than the one club that is now a standard feature of economic policy. In the 1960s, we had the one club of the exchange rate. In the 1970s, we had the one club of sterling M3. Now we have the one club of interest rates. It is peculiar that so many of the cleverest people in the Government and the City have tunnel vision, and seem able to concentrate only on one variable at any one time.

In practice, the Chancellor has to balance many claims. Growth, unemployment, the balance of payments, inflation and investment are all important factors. The Bank of England can afford the simplicity of concentrating on one variable, whereas politicians cannot. If the Governor of the Bank of England is proved wrong, he can always say that the position is not yet known. He can say that the jury is out, and that next month will prove him right, or that we will have to wait a few months or even until next year. The jury can stay out until the patient dies, but any Chancellor of the Exchequer has to make a proper decision.

The prime consideration of economic policy cannot be just inflation, inflation, inflation; the prime consideration of any Chancellor of the Exchequer must be growth and the long-term improvement in living standards. Everything else involves the means of bringing that about. Any Chancellor is right in asserting his vision of the requirements of economic policy. In any standoff with the Bank of England, he needs to assert the concern for the accountability of Government, in which we all have an interest.

It is a pity that the Chancellor's meetings with the Bank of England are not copied in meetings with industry. Why does he give such priority to the Bank of England and the view of bankers, without being able to compensate for that view with those of the people who are actually producing the goods and the real wealth of our economy?

Our prime economic task is to rebuild our industrial capital and our manufacturing industry, so much of which was shamefully destroyed in the first dogma-driven years of the Thatcher Administration. The most important means to long-term growth are investment in manufacturing, education and training, which has been put out repeatedly by my hon. Friend the Member for Dunfermline, East (Mr. Brown).

There are differing time lags involved. Investment in plant and machinery is necessary to improve the efficiency and capacity of our industry. That can be encouraged within the lifetime of a Parliament. Training can be achieved on a similar time scale if the will is there. Education, however, is for the longer term.

The need for training and vocational education has been urgent for a long time. We have been down that road repeatedly from the last century, when the skills gap was discerned, to the third tier of the Education Act 1944 and the technical schools that were devised by Rab Butler, to more recent developments. Our weakness is well documented. The education establishment does not like it, and by a long process of inactivity it has repeatedly hijacked proposals to produce technical and engineering skills that other countries regard as normal. So long as we were wealthy, we were able to tolerate that bias against industry. We cannot under-estimate it now.

I note the merger of the Department for Education and the Department of Employment. I very much regret the Government's declining interest in unemployment. We have to do something about that. Meanwhile, in other areas, there is now an opportunity to bring about a coalescence of education and training, where 150 years of effort have produced one of the greatest failures of Government over that long period.

There needs to be a seamless transition from academic to vocational education to training. Vocational training does not mean the nonsense thought up by those who are trying to recreate in technical education the academic theories, which have only a limited role to play.

I am surprised at the decision to have two permanent secretaries as the joint heads of the new Department. Sir Tim Lankester at the Department for Education and Michael Bichard at the Department of Employment are two civil servants who have much impressed the Public Accounts Committee, but we need to take seriously the concern of Sir Geoffrey Holland, a recently retired, most distinguished, public servant who calls for the new Department to be properly integrated.

That is a task that must be undertaken. A Department with two heads will not produce the integration between education and training for which we have waited too long. Having taken the decision, it is essential to get it right.

The involvement of Government in industry has similarly been disappointing. From the Department of Economic Affairs under George Brown to the efforts of Denis Healey, we have been faced with failure after failure. Faced with those failures to understand industry rather than the City, Denis Healey appointed within the Treasury Alan Lord, a very able second permanent secretary. He had it in mind to give greater prominence to industrial matters.

Alan Lord left the Treasury somewhat saddened. The ethos of the Treasury was against such involvement. The control of public expenditure is the one area of expertise where the Treasury is, understandably, dominant. Other considerations fall well behind that.

We must have a stronger involvement with industry. The City of London is valuable, but it does not properly represent industry, on which we all ultimately depend. The high profile that is given to discussion with the Governor is not mirrored by discussions with industry, which should have even greater prominence. We cannot solve these matters just by dealing with the Governor on a monthly basis. There are much wider issues than that.

We need to recall what the Labour Government did about investment incentives. I had been a strong supporter of investment grants for plant and machinery, which were introduced later in 1966. I believe that they were a major encouragement to investment. The time may have passed when such measures could be reintroduced, but I am a firm believer in a high level of investment allowances.

At 25 per cent., investment allowances are, in many cases, a disincentive. Plant and machinery is rarely worth 75 per cent. at the end of the first year. As far as the loss to the Revenue is concerned, it is a question only of delayed payment of corporation tax. If we are serious about investment, about replacing the capital stock in our industry, about capacity constraints, clearly some sensible investment incentives need to be introduced.

I look forward to resource accounting, which I strongly support. The PAC has examined progress, and work is proceeding on the expectation that, at the end of the century, it will be in place. Our declining infrastructure is concealed by the failure to take note of the capital depreciation in our national accounts.

It is possible to ignore the deterioration of our roads, our housing stock and part of the railway network by ignoring the depreciation of these fundamental parts of the economy. For the past 50 years and more, we have been living off so much of our capital. These decisions should have been recorded and quantified, and open to everybody to criticise.

On economic and monetary union, I note the vital precondition of convergence of real economic performance of the entire European Community. My own view is that a satisfactory convergence between such disparate countries is unlikely to happen. Countries do have differing customs and different traditions. Attitudes do vary.

I have known politicians who have pointed to the way in which those attitudes should be changed. If someone asked me how I can change attitudes, I would hold up my hands. If one said that billions of pounds are required, then there are certain conditions that might be acceptable. Changing attitudes will be more difficult.

If the Chancellor of the Exchequer really wants to make an impact on the future of our economy, he must turn to investment.

Mr. Deputy Speaker (Sir Geoffrey Lofthouse): Order.

6.15 pm

Sir Peter Hordern (Horsham): I am pleased to follow the right hon. Member for Ashton-under-Lyne (Mr. Sheldon), who, if I may say so, made a much better speech than his colleague on the Front Bench.

The hon. Member for Dunfermline, East (Mr. Brown) referred to the underlying weakness of the economy, but there was a certain underlying weakness in his speech, too—notably his absolute failure to pronounce on anything to do with the economy and what he would do about it in respect of interest rates, spending or anything else.

Ms Hilary Armstrong (Durham, North-West): The right hon. Gentleman was not listening.

Sir Peter Hordern: I did listen, and I was greatly entertained by the amusing parts of the hon. Gentleman's speech. Now perhaps the hon. Lady might listen.

I wish to say a word or two about investment, since it plays such a large part in the Opposition's terminology. What the right hon. Member for Ashton-under-Lyne said about the importance of training and education is, of course, absolutely right, but, in parentheses, it is astonishing that, in the United States, where there is no federal system of training, more money is spent on training by individual companies than any of the Organisation for Economic Development countries, so far as I am aware, and without any form of Government investment or attraction.

There is one important question to which the Opposition will have to address themselves, and I believe that it underlines the weakness of successive Labour administrations over many years: the double meaning that is given to the word "investment". There is, of course, investment in the sense of a rapid return, but there is also long-term investment, to which the right hon. Gentleman was referring, in education and training. The difficulty lies in the fact that that investment must be paid for.

The Opposition believe in public investment. They are talking here not about private sector investment, but about education and training and public sector involvement in it. The difficulty they have to face—just as they always have to—is that the money has to be raised, either through taxation, and they are reluctant to say how that money should be raised, or through borrowing. The further difficulty they have is that they are notorious borrowers.

My right hon. and learned Friend the Chancellor referred to the previous Labour Government's record on borrowing. I think that I am right in saying that, in 1976, the share of gross domestic product occupied by the public sector borrowing requirement was 9.5 per cent. It has never been higher under a Conservative Government than it was three years ago, when it was 7 per cent., and that, I have to say, was far too high. It was, however, the 9.5 per cent. that brought in the International Monetary Fund.

Whatever the Opposition say about the merits of training and education, they have to say how it will be paid for. It is no use thinking that the markets, people in

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this country or electors will be satisfied with the general appreciation of the word "investment". They will want to know, rightly, how it will be paid for.

We shall go on asking how that money is to be raised. I believe that the Opposition have a duty to say how it will be raised. It is no use their talking about the merits of investment, as though there has been no public investment in training in this country: the record on higher education is excellent, with more young people going into it. They must now come clean on how they propose to pay for the investment, which no doubt is worthy.

There is one thing of which I am quite certain: the position today is very different, so far as the capital markets are concerned, than it was when the Labour party was last in office. Everybody in the House knows the speed at which money goes across the exchanges. There is no question about it: if the Labour party was ever in government and pursued a large investment programme without spelling out how it was going to be paid for, there would be a run on the pound, as has always happened.

Mr. Benn *indicated assent.*

Sir Peter Hordern: The right hon. Gentleman nods in agreement. There would be a run on the pound, and it would have to be met by higher interest rates. That is the problem that the Opposition face.

Dr. Jeremy Bray (Motherwell, South): Will the right hon. Gentleman give way?

Sir Peter Hordern: The hon. Gentleman will have to forgive me, because I want to complete my brief speech.

All I would say is that there is another aspect to investment, and that is the aspect that my right hon. and learned Friend the Chancellor and the Government are pursuing—attracting foreign investment into this country. They are able to do so because we have low tax rates. The right hon. Member for Ashton-under-Lyne referred to investment incentives, but I recollect a corporation tax of 52 per cent. under a Labour Government. It is very much lower now. That is what brings in investment: not only particular incentives but the fact that we are a low-tax country, with no difficulties about labour costs.

The hon. Member for Dunfermline, East, in perhaps an unguarded moment, said of training that he would make companies pay by means of a statutory training scheme. If one adds to that the cost of the social contract, the training levy and the minimum wage, will Britain be such an attractive country to invest in for overseas countries? I have to say that I do not think that it will be.

That again will reverse an important factor in the success of the economy to which my right hon. and learned Friend rightly alluded—the attraction of substantial funds from abroad. We shall obtain improvements by attracting investment and the further progress of the technological revolution which has occurred in the United States and many other countries, not least Britain.

The Opposition talk about large public sector investment. One has only to consider the motor industry and its export record now to see what a transformation has come about because of the attraction of investment into Britain. That is the right way to go about the matter. Any suggestion that there will be massive public sector spending for any reason, no matter how worthy, will cause great difficulties in the capital markets. If the Opposition were ever to win an election and come into government, they would shortly find that difficulty spelled out for them.

I simply add that it is essential to have a low public sector borrowing requirement. That is what dictates low interest rates. It is interesting how some people say that the great thing is to have the sovereign right to manage one's own currency. Yes, I regard it as a sovereign right to devalue. They say that that is what helps manufacturing industry. If that were so, we would be the richest country in the world, because we have tried if often enough.

Look at the Germans. When I first entered the House, there were DM12 to the pound. Now there are two point something or other. What is the basis of German wealth if it is not manufacturing industry? Why have the engineering companies not suffered from the depreciating deutschmark? They have managed because of the quality of their investment, and that quality is there because of low long-term interest rates. They can borrow easily for 10 or 20 years ahead. Contrast that with Britain's oscillating interest rates and the difficulty of ever making any long-term investment.

I remain an optimist. I am sure that, if my right hon. and learned Friend pursues his policies, we shall have the benefit of extra capital investment in Britain and the fruits of that investment which we so thoroughly deserve.

6.23 pm

Mr. Malcolm Bruce (Gordon): I am a little disappointed that the Liberal Democrats, who are allowed only one contribution to this major debate on the economy, should be confined to just 10 minutes, especially as, unlike Her Majesty's official Opposition, we have a distinctive economic policy.

Mr. Deputy Speaker: Order. I hope that the hon. Gentleman is aware that the Liberal Democrats are not limited to 10 minutes.

Mr. Bruce: I am grateful, Mr. Deputy Speaker. I had not been advised of that fact. I should have appreciated it if I had been so advised. Nevertheless, I shall not detain the House unduly.

The Chancellor of the Exchequer has an opportunity to decide whether he will be a consistent, coherent, disciplined Chancellor who sets out a policy and follows it through, or whether, as seems to be becoming apparent, he has to trim it according to the pressures of political expediency and the requirements of his party to have something to offer the electorate in times of desperation. That is how he will be judged, not just by his colleagues but by outside commentators over time.

The salient point of this year's summer forecast is that every economic indicator projected from last November has turned out to be less favourable. Inflation and public borrowing have been revised up, growth has been revised down and the investment growth estimate has had to be more than halved. In just six months, the Government's forecasts have moved in the wrong direction.

I share with the Chancellor a genuine welcome for the better economic news that we have had in the past 18 months. I agree that low inflation is necessary and needs to be sustained in the long term if it is to create the long-term investment climate that Britain needs. The

upturn or recovery in the economy is welcome, as is the rise in exports and the decline in unemployment, despite the fact that it is from a high base and that there is a question mark about the quality of the jobs being created compared with those that have been lost.

Mr. Forman: The hon. Gentleman has just said that he welcomes the Government's determined approach to controlling inflation and keeping it low. If that is so, how does he defend the important phrase in the Liberal Democrat amendment, which has not been selected? That amendment

"deplores the recent moves by the Government to relax its fiscal and monetary disciplines".

That can only be taken as a plea for a tightening of policy.

Mr. Bruce: As a matter of fact, the hon. Gentleman is correct. We have criticised the Chancellor, as he is aware, for having two inflation targets rather than one inflation band and for creating confusion by insisting on the one hand that his policy is to keep inflation below 2.5 per cent. while on the other hand implying that it might rise above 4 per cent. The Liberal Democrats' policy is to have one inflation target of between 0 and 3 per cent., agreeing with the Chancellor that variation must be accommodated, but suggesting a simple and clear target without the element of confusion which creeps in when there are two targets.

There is common ground here. There is recognition of the need to be disciplined and to stick to the broad policy. My question, as I am sure that the hon. Gentleman will appreciate, is whether the Chancellor will have the courage of his convictions as political expediency beckons.

It is also interesting—the circumstances of the Chancellor's elevation to his present post will not be lost on him—that the success over which he has presided has been a direct result of the failure of the Government's previous policies. The boost to our exports, to which reference has just been made, has come as a result of the devaluation of sterling following our ejection from the exchange rate mechanism. There has also been a suppression of domestic demand and a need for record tax rises. That has kept growth under control and helped to keep the Chancellor's inflationary objectives under control.

Mr. Nigel Waterson (Eastbourne): The hon. Gentleman spoke of tax rises—I do not find any answer to this point in the Liberal Democrats' amendment—but does he stand by the remarks that he made only on 3 July in a speech, I believe, to Liberal Democrats in the City, when he spoke approvingly of a 50 per cent. higher income tax rate?

Mr. Bruce: As is our party's policy, I made it clear in that speech that, in the interests of fairness and justice, we believe that people earning more than £100,000 a year should pay a 50 per cent. tax rate. I also said that the yield on that money should be used immediately to take 500,000 people at the opposite end of the scale out of the tax bracket. I know that Conservative central office will conveniently edit that reply to include the first half but not the second half, because, objectively, fairness, justice and balance are not a distinguishing feature of the scriptwriters at Conservative central office. However, the answer is on the record.

We cannot claim that what has happened in the past few years, or the recovery that we are seeing, is the economic miracle that some members of the Government seem to wish to adduce from it. Last year's improvement in the balance of trade was based mostly on a one-off surge in oil exports and net property income from abroad. Manufacturing investment is up—a little—but it has only just passed the peak of five years ago, and the figure is not much higher than it was 21 years ago when Denis Healey was Chancellor of the Exchequer. Manufacturing investment as a percentage of gross domestic product is currently at an all-time low.

There is no room for talk of an economic miracle. There is a basis for improvement on which success can be built, if the current position can be sustained, but we have not reached that stage yet. Even after an active life in politics, I am still astonished that we can now find politically acceptable unemployment levels twice as high as the rates that would have brought down Governments 15 or 20 years ago.

We are currently enjoying a temporarily benign set of economic circumstances, brought about by the failure of the Government's own policies. The Chancellor has recognised that fact and has told the Treasury Select Committee and others that according to his advisers the sustainable growth rate of the British economy is only about 2 to 2.5 per cent. After 16 years of economic experimentation, 16 years of putting British industry through the mangle, the Conservative Government cannot hold out the hope of sustainable growth at a rate of more than 2.5 per cent.—exactly the rate which obtained before they came to power.

Those of us who have dealt with other economies know that in some of the developing economies—which are no longer backward or primitive, but quite mature—there is talk of a recession when the growth rate falls to 8 or 10 per cent. Slow recovery from a long recession is not an economic miracle. To deliver long-term success, we need sustained investment—and the only way to deliver that is to ensure that we invest in education and yield the goods to ensure that we can maintain the health and public services that people want. Any economic commentator would say that that was necessary, but no British Government—Labour or Conservative—have managed to achieve it.

One aspect of the Chancellor's policy is right. My disagreement with him lies in the fact that he seems to think that only a low inflation rate is required to deliver economic success. He is entirely right to accept that long-term, sustainable low inflation is a precondition of success, but he is wrong to assume that it is the only precondition. The problem is this: is the Chancellor sticking to that objective, which is the only basis for his entire policy? Will he be prudent and resist unjustifiable tax cuts? Then will he listen to the advice of the Governor of the Bank of England, who clearly feels that interest rates need to rise now if the Chancellor's inflation target is to be met?

The Chancellor is currently relying on the short-term view that the markets appear to have taken it calmly, but he knows that today's decisions will affect the inflation rate in 18 months' or two years' time. Short-term factors are irrelevant.

The Chancellor has changed his inflation target. At any rate, whatever his arguments to the contrary, most commentators believe that he has relaxed that target. He is becoming a little more difficult to pin down on his

[Mr. Bruce]

borrowing targets than he was even a year ago. I will remind him of one or two of his statements. In his 1994 Budget, he said:

"My objective remains the same: to balance the Budget over the medium term. We remain on course to eliminate Government borrowing entirely by the end of the decade."—[*Official Report*, 29 November 1994; Vol. 250, c. 1082.]

At the same time, he stated in the Red Book:

"The objective is to bring the PSBR back to balance over the medium term."

What does the Chancellor say now? I could not find it in the main report, but in the Treasury summary the following words are now used:

"the objective is to bring the public sector borrowing requirement back towards balance over the medium term."

"To" and "towards" are rather different words, as the Chancellor well understands and, no doubt, as the Treasury draftsmen understand. That is a clear indication of a much less rigorous and disciplined approach to borrowing control than the Chancellor's public utterances would suggest.

The PSBR, however, is a fairly crude measure. The general Government financial deficit is, for instance, the measure for convergence for the purposes of economic and monetary union—the benchmark for the 3 per cent. ceiling—because it excludes privatisation receipts. What is the Government's estimate of that? It is fully £21.4 billion for 1996-97, and that is just the Government's current forecast—they have already had to revise their forecasts in the wrong direction over the past six months.

That estimate has been made at what many regard as the peak of the economic cycle, when the Government's estimate of their net investment is £11.3 billion. That means—according to the logic that the Chancellor has expounded during his term of office, and against a discipline that is gaining wider acceptance across the parties—that the Government will be at least £10 billion away from being able to make any responsible tax cuts while maintaining their stance of fiscal prudence and responsibility.

The test is whether the Chancellor has the nerve to do the job of economic policy management, or whether he will succumb to the pressures of political expediency. So far, the Chancellor has ignored the Bank of England's advice that interest rates need to rise. At the Mansion house, he moved the goal posts on inflation; he has left the position more unclear and uncertain than it was before. I speak as one who has admired the stance taken by the Chancellor when his own party has tried to push him off course, as it so often has. As I said in response to an earlier intervention, we suggested a range of 0 per cent. to 3 per cent. No doubt the Labour party will take a view at some point, but thus far it seems reluctant to express one.

Mr. Kenneth Clarke: The hon. Gentleman anticipates me. Would he care to state, on behalf of his party, whether he thinks that we should raise interest rates now, or whether we should have done so a month ago?

Mr. Bruce: I think that the Chancellor will understand my reply. We believe that the Government should set the targets, but that the Bank of England—or the central bank—should implement them. The answer is simple: if the Government believe, or the Bank of England believes, that the inflation target that the Government say should be adhered to requires an increase in interest rates, the Bank should make the decision. We in the House do not know who is right, and we shall not know for 18 months. I do not think that the Chancellor should be smug in the short term. Our position is clear: the Bank should have been allowed to make the decisions that it considered necessary to implement policies set out by Government.

Mr. Budgen: Does the hon. Gentleman not agree that it must always be the Chancellor's duty to decide how quickly the inflation target should be met? He must take into account wider social and economic considerations than the Bank can ever take into account.

Mr. Bruce: That is an argument in favour of political intervention, but too often Chancellors cannot be relied on to take such objective measures, and their decisions have been made for short-term political reasons which cut across the economic requirements of the time. I believe that the fact that the German economy has built itself on the basis of an operationally independent central bank is one reason for the success of Germany's economic policy.

It must be understood that we are not talking about the Bank of England setting policies. The Government set policies and the Bank implements them. The decisions, however, are removed from the political arena. It has been argued that such action would lead to a lower overall level of interest rates, because it would remove the factor of political uncertainty, leading to a cut of between 1, and 2 per cent. on the prevailing rate of interest.

An item that I have raised in the past week has not been addressed by the Government, or even picked up by the commentators: the moves, following the merger of a number of building societies, to offer substantial bonuses to their members, which will feed into the economy over the next 12 to 18 months. According to the press reports that I have read, they could amount to between £5 billion and £8 billion. The Chancellor—and, indeed, the financial authorities—must keep a close eye on that.

It seems extraordinary that we can debate whether tax cuts of £5 billion are justified in terms of keeping economic policy on course, when building societies over which the Government have no control can suddenly inject between £5 billion and £8 billion into the economy, completely altering the Government's inflation forecast. I do not know what the answer is, but the Government should give some indication of how they intend to respond to that issue.

We need a responsible fiscal policy, not just short-term tax cuts, which, as people know from bitter experience after the last election, would have to be reversed immediately after an election. We need a sensible target for inflation and a reformed central bank given operational independence to enable it to pursue those targets free from short-term political interference.

We need a European policy crafted in the country's and not the Tory party's interests, and we need a macro-economy which recognises the importance of investment to create a climate which can sustain public services, at a reasonable taxation level and at a reasonable share of gross domestic product.

The Liberal Democrats have made it clear that education is the single most important investment that this country needs for the long-term success of our economy. Unlike other parties, we have said not only that we will

spend more on education, but where we will get the money from. The Labour party has tabled an amendment which continues to say nothing about how it intends to deliver anything. It contains blandishments, statements of good intent and a rosy glow of change, but no substance.

It is necessary to have credibility in economic debate, to be prepared to put some facts on one's proposals, to put some costings to one's commitments and to give some indication as to how one would create the mechanism which would deliver the results that one regards as desirable. The Liberal Democrats have done and are doing that. We shall continue to challenge both the Chancellor of the Exchequer as to whether he has the resolve to stick to his commitments, and the Labour party to demonstrate whether it can put forward a coherent programme that will not finish up putting it in exactly the same position as the Government, who are split from top to bottom.

6.41 pm

Sir Anthony Grant (Cambridgeshire, South-West): I will say this for the hon. Member for Gordon (Mr. Bruce): unlike the official Opposition, he has just a smidgen of policy but, alas, I fear that it will be purely hypothetical and academic in the extreme.

The prime economic task of any Government must be to control inflation without wrecking the industrial base. We have heard a great deal about investment, especially from my right hon. and learned Friend the Chancellor of the Exchequer. The trouble is that the international market believes that in this country, under our political system and in the way in which we conduct ourselves, the will to control inflation is weak. That is why there is what is called short-termism compared with Germany and Japan.

Investors, usually international ones, suspect that political parties, and particularly Labour, will take a short-term political view, so those investors take a short-term financial view: it is as simple as that. The trouble is that with Labour in power the result would be not short-termism but minuscule-termism. It is to the Government's credit that they have maintained low inflation better than their predecessors.

An encouraging and seldom noticed trend among banks is the tendency to move to fixed-term lending rather than the overdraft system. In that sense, an encouraging sign exists that we are moving more towards the European or German system. That will give us more long-term investment, which industry requires.

The battle against inflation, however, is a continuing one. It is affected by matters entirely outside local control, such as commodity prices. Handling inflation in a modern economy is like sailing a giant tanker: it goes on for about five miles after being put into reverse, by which time the other hazards of recession have swamped the decks. Cool pragmatic judgment rather than obsessional dogma is therefore needed.

The Chancellor of the Exchequer is right to resist perhaps the more orthodox Bank of England view on interest rates. I hope that he will continue to take that pragmatic view as what industry and the economy want more than anything else is some degree of stability. I am glad that he has given stability on the interest rate front so that people can plan for the future.

The other thing that we need is export-led growth. As I have said before, after the 1967 devaluation by the Labour party, on becoming Chancellor of the Exchequer Lord Jenkins of Hillhead—now a member of the party of the hon. Member for Gordon—said, "We must have export-led growth. That is the solution." Unfortunately, he never achieved it, but he was right and my right hon. and learned Friend the present Chancellor has achieved it.

When considering future interest rate policy, I hope that my right hon. and learned Friend will bear in mind two vital sectors: the housing market and construction industry, and the small firms sector. In the 1980s, reliance exclusively on interest rates to curb inflation was catastrophic for both home owners and small firms. I agree with the right hon. Member for Ashton-under-Lyne (Mr. Sheldon), who is Chairman of the Public Accounts Committee, about that. That reliance was the cause of the anxiety, the lack of confidence and the absence of the feel-good factor that everyone is seeking.

Added to that, there was the fear of unemployment and the uncertainty about future employment, which happily is now easing. When considering his Budget, however, I hope that my right hon. and learned Friend the Chancellor will have special regard for that especially unfortunate and burdened sector. In addition, I hope that the wise proposals in the Latham report on the construction industry will be attractive to the Government.

The future does not lie with vast companies or supermarket fat cats. A healthy and flourishing small firms sector is the vital undergrowth for survival in the economic jungle. Bit by bit, much has been done to help small firms, but there is an awful lot more to be done.

I want lower taxation. Decades ago, I advocated a shift from direct to indirect taxation because one is a tax on work and the other is a tax on spending. I am glad that that trend has taken place, but taxes can be reduced only if public expenditure is curbed. The only way in which public expenditure can be substantially curbed is by reducing unemployment. I am delighted at the way in which that is going. Otherwise, as my right hon. and learned Friend says, the solution is a hike in interest rates, which is the last thing that industry, and especially small industry, wants.

We are a parliamentary democracy and we and the public are entitled to know what is the policy of Her Majesty's official loyal Opposition. We shall ask them that again and again and again. What is their policy? As the hon. Member for Gordon said, their amendment is clearly a mass of platitudes. Would they increase or reduce taxation and, if so, by how much and which taxes? Would they increase public expenditure, as their spokesmen nearly always imply, or reduce it? Would they raise or lower interest rates? Or do they really believe, as I do, that the Chancellor has got it about right?

I used to be fond of the previous Leader of the Opposition. I thought that anyone who was keen on rugger could not be all that bad, but I am not sure about the present one. At least one knows where the right hon. Member for Chesterfield (Mr. Benn) stands, even if one disagrees with him. We are not allowed to refer to an amendment which has not been selected, and its non-selection must be a great relief to the official Opposition as it contains two fairly dirty and obscene words which may send a shudder down their spine. It refers to "socialist policies". The terror that that must have struck in the Opposition's hearts is awful to consider.

[Sir Anthony Grant]

I will say this about the right hon. Member for Sedgefield (Mr. Blair), the Leader of the Opposition: he has a nice smile—but I question what lies behind it and what policies, if any, lie behind it. He reminds me very much of the Cheshire cat in "Alice's Adventures in Wonderland". Poor little Alice was rather like the electorate. Lewis Carroll wrote:

"she was a little startled by seeing the Cheshire Cat sitting on a bough of a tree.

The Cat only grinned when it saw Alice. It looked good-natured, she thought: still it had *very* long claws and a great many teeth,"—

that is the hon. Member for Bolsover (Mr. Skinner) and his friends—

"so she felt that it ought to be treated with respect.

'Cheshire Puss,' she began . . . 'Would you tell me, please, which way I ought to go from here?'

'That depends a good deal on where you want to get to,' said the Cat.

'I don't much care where—' said Alice.

'Then it doesn't matter which way you go,' said the Cat.

'—so long as I get *somewhere*,' Alice added.

'Oh, you're sure to do that,' said the Cat, 'if you only walk long enough.'

Alice said 'I wish you wouldn't keep appearing and vanishing so suddenly: you make one quite giddy.'

'All right,' said the Cat; and this time it vanished quite slowly, beginning with the end of the tail, and ending with the grin, which remained some time after the rest of it had gone.

'Well! I've often seen a cat without a grin,' thought Alice; 'but a grin without a cat! It's the most curious thing I ever saw in all my life!'"

In 30 years in Parliament, I have sometimes seen a policy without a grin, but a grin without a policy is the most curious thing that I have ever seen. To end with the immortal words of *Private Eye*, which I hope will get a response from the Opposition, "I think we should be told."

6.49 pm

Mr. Tony Benn (Chesterfield): I and some of my hon. Friends have tabled an amendment which, in a way, acquits the Chancellor of the main responsibility for what has happened because it says that the problems confronting this country are inherent in a system that puts profit above people. If I distributed the Chancellor's speech to my constituents, they would not believe that he lives in the same world as they do.

There is mass unemployment in Chesterfield because the pits were deliberately closed. Unemployed people come to my surgery and say, "What about a job?" Other hon. Members must have the same experience every week. People say, "My daughter is getting married. What about a house?" Another constituent will say, "My son wants to go to college. What about a grant?" I am told, "My auntie cannot get a hip operation. Granddad cannot live on the pension."

Anyone who thinks that the Chancellor's speech, in which he scored debating points about quotations—an absolute waste of time—will carry any weight, is making a grave mistake. Conservatives boast that the number of days lost in industrial disputes has dropped, but 2.5 million days are lost every day because of unemployment. Unemployment is the policy. It lowers wages, undermines the unions and boosts profits. Homelessness does the same. Someone who sees a person in a cardboard box on the embankment will say to himself, "If I had a row with my employer and cannot keep my job and am dispossessed of my house, I will be in a cardboard box on the embankment." The Government have not an economic policy but a political strategy to put a handful of rich people at the top and the rest in fear.

Has anyone ever asked how many home owners have mortgages? There are a great many home buyers, but not a great number of home owners who have paid off their mortgages. Another term in use nowadays is "customers" and those who have no money are not "customers". They have found a word that dehumanises and depersonalises the poor so that they do not have to think about them. People in cardboard boxes are not on the electoral register. How can anyone say, "Put me down on the register as being in the cardboard box behind Marks and Spencer"? Those people do not vote, and that is part of the political strategy.

The Government should not think that anxiety has not spread up to the middle classes because many professional people are on short-term contracts and many people are on low pay. If the Chancellor ever has a discussion about why there has been a shift in political opinion in this country, he will find that it is because the anxiety of the capitalist society has spread to layers of people who thought themselves exempt. Of course the policy is based on fear.

We hear much about how marvellous is the German economy, but there are 20 million unemployed in the European Union. Does not anybody relate that to what happened before the war? I am old enough to remember Hitler coming to power. I bought "Mein Kampf" when I was 12 years old and I still have my copy. The 6 million unemployed in Germany produced Hitler, and when there is unemployment, people turn on each other. Sir Paul Condon, the Commissioner of Police of the Metropolis, has issued one of the most disgraceful statements that has ever been made. He is building up the feeling that, if there is a crime problem, it is due to blacks. When people are unemployed, they turn on others.

The breakdown of the social fabric is much more important than the feel-good factor. I do not know who feels good or why, but if we break down the social fabric and turn people one against the other, we will pay a much higher political price than we would in dealing with the problem that is before the House or the aspirations in my amendment. The second world war was the cost of monetary policies, which are the same as those that are now being pursued. It cost us 50 million lives and God knows how many billions of dollars.

The right hon. Member for Horsham (Sir P. Hordern) says that, if Labour gets in, there will be a run on the pound. What he told us is what the left has been saying for years—that this House does not decide anything. Decisions are made by international gamblers. Every night, I listen to the world economic news on the BBC and there is mention of the Dow Jones industrial average. I have never met Mr. Dow Jones, but by God I have to give him credit for keeping at it. Night after night, when we are all in bed, he is working on his bloody averages, and they decide what happens.

Sometimes, we are told that sterling has dropped three points of decimals against a basket of European currencies. I have never had such a basket of currencies, but I would not mind taking one on holiday. As a result,

the Health Secretary closes three hospitals and the pound rises again because all policies are now determined by international capital demands. That is why my amendment is a little more fundamental. I should like to make fun of the Chancellor's earlier speeches but that would be difficult because I confess that I have not read them. Let us try to face the reality, which is that Parliaments and Governments do not control anything any more.

There was an article in the *Financial Times* recently by the BBC's economic correspondent in the World Service saying:

"In Africa it would be better if the countries were run as commercial enterprises rather than Governments."

Later, in order to answer a question that might be asked, he said:

"What room does that leave for democracy? That question can be asked everywhere in a world where bond markets dominate much of the decision-making process in the world. Democracy is in a sense on the way out."

Without trying to provoke individual responses, I am trying to say that we must face the fact that the globalisation of world markets has destroyed the value of the ballot box as a link to political and economic power. That will happen to an incoming Labour Government, although I will not go into that. Everybody knows that that will happen. It happened to Healey in 1976. He has now decently written a book saying that he made a mistake about the IMF, but that does not matter.

Wherever we look, the triumph of capitalism is being celebrated, but if it is so triumphant, perhaps we should look at some of the figures. One fifth of the world's population of 5.6 billion live in extreme poverty. The richest fifth in the world have incomes that are 30 times higher than those of the poorest people. Poverty-related diseases claim the lives of 35,000 children every day, and 500,000 women die each year from causes related to pregnancy and inadequate health care. Some 1.3 billion people have no clean water. That is the result of the capitalism that has triumphed. Communism has gone and the capitalist world is not stable: it is inherently unstable.

It is democracy that is being attacked, not socialist ideology. They do not want the common people without the cash to use the vote to buy collectively what they cannot afford individually. The huge achievement of the chartists and the suffragettes was to get some grip on economic policy through the ballot box.

I am not the first person to quote Harold Macmillan. I did so when I intervened on the Chancellor and perhaps I may read the quote to him again. In his book, "The Middle Way", published in 1938, Harold Macmillan said:

"We have lived so long at the mercy of uncontrolled economic forces we have become sceptical regarding any plan for human emancipation. Such a rational and deliberate reorganisation of our economic life would enable us out of the increased wealth production to establish an irreducible minimum which might progressively be raised to one of comfort and security."

The Labour manifesto of 1945 did not attack the Conservative party because in those days we did not have abuse, we had argument. That manifesto stated:

"The great inter-war slumps were not acts of God or blind forces: they were the sure and certain result of the concentration of too much economic power in the hands of too few men."

Gaitskell, one of our more moderate members, when he spoke in the House on 5 December 1945 after Churchill had moved the first motion of censure on the Labour Government, said:

"We believe . . . that the present capitalist system is inefficient, that it produces insecurity and that it is unjust. Can anyone deny those things?"—[*Official Report*, 5 December 1945; Vol. 416, c. 2364.]

Therefore, no one should think that my amendment, which, alas, has not been called but which may be studied, contains new ideas. They are rooted in human aspiration and no one can tell me that they cannot be implemented. If there can be full employment in wartime, it can be had in peacetime. If every youngster of 17 could be put in uniform to kill Germans, surely young people could be recruited to build homes or to become nurses or teachers or to clean up the environment or look after old people. Of course that could be done, but it is not profitable, and that is why it is not done.

Until this society—in that I include my Front-Bench colleagues—addresses the question of whether to put profitability above people or people above profitability, these problems will not be resolved. Do not think that the Chancellor, with his triumphalism, is convincing anyone. More and more people are learning what is happening. If they cannot express themselves through the ballot box, do not be surprised if we have the riots. That is not the right way to do it, but a disfranchised nation will not accept the injustice forced on it by a policy of the kind that we have had.

6.59 pm

Sir Thomas Arnold (Hazel Grove): The current monetary framework has been in place for three years. The inflation rate during that time bears healthy testimony to the wisdom of the policy that the Government have chosen to follow. I support what my right hon. and learned Friend the Chancellor said in announcing the new inflation target one month ago. He said in answer to a written question:

"Beyond this Parliament I propose that our aim will be to continue to achieve underlying inflation—measured by the RPI excluding mortgage interest payments—of 2½ per cent. or less. Monetary policy will be set consistently to achieve this target. This should ensure that inflation will remain in the range 1 to 4 per cent."—[*Official Report*, 14 June 1995; Vol. 261, c. *517*.]

That statement showed confidence in the future and confidence in the present policy.

It is absolute nonsense to suggest that the goalposts have been moved or that policy has become more discretionary or relaxed. On the contrary, the Government have repeated what policy has been for some time now. That has done wonders for confidence. It shows exactly what the Government intend to do in respect of monetary policy.

The monetary framework that the Government put in place three years ago consists of three components: the inflation target, to which I have referred, the inflation report published by the Bank of England and the published minutes of the monthly monetary meeting. I should like to deal with the two latter items in turn.

The great advantage of the inflation report is the transparency that it confers on the decision making within the Bank of England. It shows carefully and clearly the intellectual influences at work. It makes absolutely no attempt to hide any of the forces which are taken into

[Sir Thomas Arnold]

consideration. I was particularly impressed in that regard by the evidence given to the Treasury Select Committee recently by Mr. Mervyn King, the chief economist at the Bank of England. He described in some detail what was taking place in the labour market. The facts and figures are there for all to see in the inflation report.

Mr. King referred to what he called the tale of two cities. Most of us can see what he meant when we consider what is taking place in our constituencies. The sectors directed towards the export or net trade sector are growing rapidly. In those sectors, one can see evidence of capacity constraints. The sectors directed primarily towards domestic retail spending are weak. In housing and construction they are extremely weak. There is no sign of any capacity constraints.

So we are seeing a recovery the pattern of which is very different from anything that we have seen for a long time. Net trade, although volatile, is the main driving force behind the recover. My view is that there is still plenty of capacity in the economy and that we should take account of that fact in deciding whether to raise interest rates. My right hon. and learned Friend the Chancellor has been right to take a robust stand on interest rates and to make a fine judgment which so far has won the backing of the markets. That brings me to the published minutes of the monthly monetary meeting.

The meeting represents a considerable step forward, once again, in the transparency with which economic policy is now made. I hope that the Labour party sees fit to applaud the publication of the minutes, which means that, for the first time ever, it is perfectly obvious to everyone what specific arguments are put forward by the Governor of the Bank of England and by the Chancellor. There can be no doubt whatever how the decision not to raise interest rates at the celebrated meeting on 5 May was reached.

My right hon. and learned Friend the Chancellor made it perfectly clear that there were conflicting pressures which had to be accommodated and conflicting arguments that had to be addressed. There were clearly cost pressures arising from increased commodity prices and a weakening exchange rate. On the other side, there was clear evidence that demand pressures within the economy as a whole were not so great as to warrant an increase in interest rates. My right hon. and learned Friend took the decision not to increase interest rates. I applaud him for that decision. I applaud the transparent way in which he showed to the world his internal thought processes, how he reached his decision and why on that occasion he did not accept the advice given to him by the Bank of England.

The transparency of policy within the new monetary framework is serving both the Government and the country well. I hope that my right hon. and learned Friend will persist in his policy and keep his nerve.

7.4 pm

Mr. Terry Davis (Birmingham, Hodge Hill): There is no question but that the most important problem that Britain faces today is unemployment. It is important not only because of the direct effect on families whose members are unemployed, with the effects of poverty and everything else that goes with unemployment, but because it represents a waste of resources. Even within the Government's narrow vision, unemployment should be seen as important, because it represents a cost to the Treasury.

My greatest condemnation of the speeches of Government Members this afternoon is that they paid so little attention to the importance of unemployment. All my right hon. and hon. Friends have drawn attention to unemployment and rightly argued that the immediate and urgent priority is to increase investment and training. Of course, the two go hand in hand. They are essential.

To be fair to the right hon. Member for Horsham (Sir P. Hordern), he referred to training. He drew attention to the fact that, in the United States of America, more was spent on training than in Britain. He said that the money was spent not by the federal Government but by private companies. He could have added that more is spent on training in many other European countries than in Britain. I suspect that much of that money is spent by private companies. However, the right hon. Gentleman did not face the logic of his statement. The fact is that, in Britain, private companies are not spending money on the essential training that we need, so it is a job that the Government must undertake.

The right hon. Member for Horsham asked how training would be paid for. The answer is that we certainly cannot pay for it if we take the earliest possible opportunity to reduce taxes. We could provide for investment, through either investment allowances, as my right hon. Friend the Member for Ashton-under-Lyne (Mr. Sheldon) suggested, or some system of investment grants, which I personally prefer—we can discuss the details, but the important thing is to boost investment. We could provide training. Yet we cannot do those things at the same time as reducing taxes. We did not get from the Chancellor of the Exchequer any consideration of those points.

Instead, we had a speech which consisted mainly of a series of jokes. The biggest joke was when he described himself as a conviction politician. I wondered whether I heard him right. It seems to me that what we had this afternoon was a complacent politician. His speech had throughout it a thread of complacency about the economy. We have a reduced forecast for growth, a higher forecast for inflation and a lower forecast for investment. If he had given us a forecast for unemployment, which he refused to do, he would have given us in the medium term a higher one than was previously forecast. Yet, against that background, he described the slowdown as a change of pace. I suspect that, when the economy goes into its next recession, the right hon. and learned Gentleman, if he is still the Chancellor of the Exchequer, will say that we have simply gone into reverse gear. He does not understand the effects of the present economic policies and his forecasts.

The Chancellor says that the economy is doing well. He says that it is on course for steady recovery, which will continue in years ahead. He says that living standards will rise this year, in 1996 and in 1997—that sounds to me like a significant year—in the year after that and, the Chancellor trusts, in the years after that, too. However, if he had been more open, if he had given us some of that openness of which he boasted, he would have told us the undisclosed truth, which is that he expects the recovery to

come to a stop in 1998 or 1999. It will probably be then, because the effect on employment and living standards always lags behind the rest of the economy.

Indeed, the Chancellor gave it away when he told us that the Budget will be balanced at the top of a cycle, which suggests that the economy will next go into recession. That is the problem in this country: recovery followed by recession followed by recovery followed by recession. It is the business cycle. The Government simply do not want to change that sequence.

Increasingly, people are conscious that recoveries are going to be followed by recessions. That is one of the causes of the insecurity that people feel. They do not expect recovery to last. They know that the economy is going to the top of the cycle and then, as it goes down, unemployment will go up.

Mr. Michael Stephen (Shoreham): Will the hon. Gentleman give way?

Mr. Davis: I have not got time. There should not be interventions when speeches are limited to 10 minutes.

At the end of each recovery, unemployment is left higher than it was at the end of the previous recovery. Every time that we go into recession, we start with a higher level of unemployment than we had at the start of the previous recession.

The Chancellor of the Exchequer told us that the tax take, as he calls it, was lower than forecast. He blamed that on lower inflation. The fact is that the tax take is lower than expected because unemployment is high. It is employment—people having jobs and paying income tax—that affects the tax take. The Chancellor left that out of his speech.

The Government are concerned about reducing taxes in the next 18 months. They have not even pretended this afternoon that they are using some theory of trickle-down economics. They do not suggest that tax reductions will reduce unemployment. They will reduce taxes to spread the message. The Chancellor of the Exchequer gave it away when he said that they would spread the message of rising living standards and falling unemployment between now and the general election. The issue is what will happen after the general election. We know what will happen: the economy will go into another recession.

The Government should use the money that they will use to reduce taxes for investment, training and creating jobs. That does not mean creating work. There is no need. The need for work is everywhere to be seen around us in our constituencies. It is a matter not of creating work but of employing people to undertake the work in front of our eyes: the housing shortage, the terrible provision of care in the community, social services. They are all labour-intensive. That is what we should use the money for if we are serious about reducing unemployment.

People who are employed pay taxes. The Chancellor of the Exchequer gave no forecast or target for unemployment. He told us that he had a target for income tax—20p in the pound; he told us that he had targets for capital gains tax and for inheritance tax—zero. What is the target for unemployment? A Government worth their salt who justified the confidence of the country would face the fact that it is unemployment that people care about most. The economy is not good enough. We have to a find a better economy. We have to find an economic system that will deal with the problem of unemployment. The biggest condemnation of the Government's complacency is that they do not understand the need for a new economy.

7.12 pm

Mr. John Townend (Bridlington): Ever since Mr. Soros blew us out of the exchange rate mechanism, our economic situation has got better and better. In retrospect, even most members of the Government would admit that he did us a good turn. To their credit, the Government have taken full advantage of that opportunity. Despite the fact that the value of the pound has dropped by nearly 15 per cent. and that everyone forecast that that would feed through into inflation, the Government have kept inflation consistently down. We should congratulate the Government on the skill with which they have operated monetary policy and which has made that possible.

Despite the gloom of the Opposition, the economy has been growing for three years. What has been so pleasing is that it is the first export-led recovery in my lifetime. I believe that the prospects for non-inflationary sustainable growth are very good. Because of the success of our exports, the balance of payments deficit has dropped dramatically. The hon. Member for Birmingham, Hodge Hill (Mr. Davis) talked about unemployment. That has also dropped dramatically—in the last fiscal year by no less than 372,000. That is a pretty good record. The budget deficit is also falling.

Why then is there a feeling among much of the public that things are not getting better? I think that my hon. Friend the Member for Hazel Grove (Sir T. Arnold) put his finger on the main problem. It is that we have almost got two separate economies: the successful manufacturing export industry, which is doing very well indeed, and what could be classed as the home-based industries. The housing market in many places is still drifting downwards. The construction industry is flat. Consumer spending is weaker than we expected. The leisure, hospitality and drink industries are not doing well. I speak from some experience of those industries. The figures in June were generally very poor. The retail trade has undoubtedly been affected by the enormous amounts of money being spent on the national lottery and the fact that the draw is held on a Saturday night.

In many areas, business confidence is falling. After a very buoyant last quarter in 1994, in the first quarter of this year growth slowed. I expect that, in the second quarter, as a result of the Budget, it will slow down further. Inflationary pressures are almost all imported due to high raw material prices. There has been no upward pressure on wages during this recovery. Indeed, I believe that at long last we are moving slowly into a low-inflation culture. While increased raw material prices have forced up manufacturers' costs, manufacturers have not been able to pass those costs on to wholesalers and retailers. When retailers have tried to pass them on, the public have refused to buy, and discounting and sales have followed.

Manufacturers have undoubtedly been much helped by our supply-side reforms and increased productivity and efficiency. In the private sector, strikes are virtually unknown. I think that the large increases in raw material prices will now ease off. Indeed, in the past few weeks there has been a significant drop in the price of coffee.

[Mr. John Townend]

Investment has been somewhat disappointing overall, but if we consider the figures carefully, we see that investment in buoyant manufacturing industry is quite good. All the factors that have caused pain and lack of confidence in the non-exporting sector have a bright side, in that they make the necessity or likelihood of raising interest rates much less, especially taking into account the lead of the United States, which has recently reduced interest rates. It was followed by France, and I think that other countries will follow. It seems likely that the United Kingdom is near the top of the interest rate cycle.

I congratulate my right hon. and learned Friend the Chancellor on not putting up interest rates last month. He had the right feel. A further rise now would be bad for the Government, the housing market and the internal economy. I would like to see the second and third quarter figures before any change was made.

There is one factor which, more than anything else, has prevented the Government from getting the feel-good factor from that outstanding economic performance. Increases in taxation are, without doubt, the Government's Achilles' heel. Last week, my right hon. Friend the Prime Minister said that he wanted to lead his party from the centre-right and reduce taxes as soon as possible. In the spirit of reconciliation and unity that is sweeping our party, which was illustrated by the Cabinet reshuffle, it behoves us all on the Back Benches to help the Prime Minister achieve his aim to reduce taxes and fulfil his election commitments.

The task before us is very demanding. Since the previous election—we cannot deny it, it is in the Red Book—the tax burden has risen enormously, almost to the level that it reached under the last Labour Government. The Chancellor told the Treasury and Civil Service Select Committee that his tax increases were equivalent to roughly 7p on the standard rate. Under the present plans in the Red Book, we can cut taxes only if one or more of three things happen. First, the economy could grow faster than planned in the Red Book. This year's forecast for growth was 3.25 per cent. and has already been downgraded to 2 per cent., so that is not likely.

Secondly, we could slow down our budget deficit reduction programme, which the summer book shows will be £16 billion in 1996-97. I would personally not be prepared to cut taxes by increasing the level of borrowing. I do not think that my right hon. and learned Friend the Chancellor of the Exchequer or my right hon. Friend the Prime Minister would want to either, because it would cause the pound to come under pressure and be likely to force us to increase interest rates.

We are therefore left with the final option, which is to cut public spending. We should aim to cut the control total this year by some £10 billion. If we manage to cut it by only £7 billion, we can reduce by half the burden that we have imposed on the taxpayer since 1979.

Anyone who has to make cuts in industry and has done so in a recession knows that, to make cuts, one has to be tough and courageous, have the will power to force through one's cost reduction programme and pay attention to detail. One rarely achieves the objective with a few big cuts in a few areas; what is needed are thousands of small reductions in every area. I hope that events prove me wrong, but I sometimes—only sometimes—doubt whether the Government have the will power to take the action required.

I could talk for an hour about ways to cut public expenditure, but I know that you would not let me, Madam Speaker. However, I shall run through a few ideas. According to the Red Book, we are aiming to increase—not cut—real expenditure next year by 0.5 per cent. If we said that there would be no real growth, we would save £1.3 billion. I have mentioned the reduction in unemployment. That would save us around £800 million and, in addition, the extra people in work would be paying tax and national insurance contributions. We could cut half a billion pounds off the overseas aid budget. We have the sixth largest overseas aid budget in the world, but we are certainly not one of the six wealthiest countries.

We could cut £200 million from the heritage fund, as the lottery is pouring more money into sport and the arts. We should declare war on waste in the public sector—wherever we look, there is waste and overmanning. There should be a recruitment freeze on all staff except police, teachers, nurses, doctors and the armed forces. To be fair, some Departments have made savings, but in the past, any savings have not gone back to the Treasury but have immediately been re-spent by the Departments in question. Those savings should be used to cut taxes.

We should remove the cap on local authority spending, but cap the funds provided by national Government and go back to the old definition of public spending. We should put the squeeze on local authorities and force them to address the problems of waste and overmanning. My hon. Friend the Member for Dartford (Mr. Dunn) has a very good suggestion: we should penalise local authorities that do not collect council tax and rent arrears. Some local authorities have millions of pounds outstanding. We should reduce those councils' grant by a certain percentage, which they could make up by being more efficient.

If inflation comes down faster than forecast, instead of the Departments being allowed to spend the money saved, it should be clawed back. We should abolish the national health service's stores department, apart from the buying office, and thus save £50 million. We should also cut down on consultancy expenditure, advertising and glossy brochures. Personally, I do not think that we are achieving anything in Bosnia—we should bring the troops home.

The cost of illegal immigration is very high—45,000 immigrants are costing us £210 million a year. There should be quicker repatriation, so that people who have no right to be here are not able to string out the procedures and draw social security while they are here. We should make further savings in the social security budget, and I am pleased that the Government are making moves in that direction.

One of the most disturbing results of our generosity with social security is the fact that the number of young girls—not widows or divorcees—who have just left school and caught on to the idea of gaining benefits by having a baby, although they are without a proper relationship or a husband, has increased threefold.

I could go on—

Madam Speaker: I know that the hon. Gentleman could go on for a long time, but his 10 minutes are up.

7.22 pm

Mr. Geoffrey Hoon (Ashfield): I was somewhat relieved when the hon. Member for Bridlington (Mr. Townend) embarked on his usual diatribe and called for public expenditure cuts, because until then I had agreed with some of his analysis of the British economy, especially his comments about the two economies. I am surprised, however, that, given his analysis, he does not draw the obvious conclusion, which is that the two economies—the export-led economy and the domestic economy—are clearly products of the one policy that the Government have pursued since September 1992—devaluation.

The reason why the export economy is relatively successful is that it has benefited from something like a 20 per cent. cut in the value of the pound since September 1992. There is no evidence that any of that benefit has fed through into the domestic economy. That is precisely what the hon. Gentleman was describing and precisely why I suspect that Opposition Members will agree with such an analysis.

Any assessment of the Government's abject economic performance shows clearly how they have failed to tackle the central weakness of the Conservative-controlled British economy. We have low growth combined with high unemployment. Since 1979, Britain has had the lowest growth rate of any European Union or G7 country. The Conservatives' record means that we are firmly in last place in the growth table. That is the longer-term perspective but, even in the short term, there is precious little sign of improvement.

The Treasury's summer forecast for growth, inflation, borrowing and investment reveals that the outlook for the economy has worsened since the November Budget. The forecast implies that the average growth for 1988-98 would be no higher than 1.7 per cent., which is the average growth rate in the United Kingdom since 1979. It is the slowest rate among all EU and G7 countries combined.

The forecast for underlying inflation has been revised upwards from 2.5 per cent. at the end of 1995 in the Budget to 3 per cent. in the summer forecast. The Treasury hopes that inflation will fall to 2.5 per cent. by the end of 1996, but the City and the Bank of England anticipate underlying inflation in the range of 2.5 per cent. to 4 per cent. The public sector borrowing requirement is forecast to be £2 billion higher, at £23.5 billion for 1995-96.

In the Budget, the Treasury forecast that business investment would increase by 10.7 per cent. in 1995, but that forecast has now been halved to 4.75 per cent. It is a doubly depressing picture—a significant reduction in the level of investment combined with some pretty poor forecasting. If we cannot rely on Treasury assessments of the performance that we can expect in the economy, it is difficult to rely on other Government statements.

The deteriorating position of the British economy requires action that only a Labour Government can offer. We have repeatedly heard Conservative Members complain that Labour has no economic policy, but we have debated the fundamental principles of our economic policy in public. It is not often that the new clause IV has been quoted since we had our debate to change Labour's constitution, but we set it out for all to see. It states that we believe in

> "a dynamic economy, serving the public interest, in which the enterprise of the market and the rigour of competition are joined with the forces of partnership and cooperation to produce the wealth the nation needs and the opportunities for all to work and prosper."

[Interruption.] I am sorry that Conservative Members are scoffing at principle. One needs principles to start with, and principles are precisely what the Government's economic policy lacks. We have no idea where it is going because the Government simply switch from one principle to another as the need arises.

In my opening remarks, I mentioned the devaluation that has occurred since September 1992. Before then, we were told that the Government's economic policy was based entirely on maintaining our position within the exchange rate mechanism. Miraculously, since September 1992, Ministers have been boasting about the success of their economic policies, success achieved only because the Government were forced out of the ERM. There was no principle involved, so to accuse Labour of lacking policy is to miss the point. We have principles, and it is on those principles that we have built an economic programme aimed at high investment, high growth, high skills and high productivity in order to rebuild our economy, raise living standards and promote the creation of a fair and just society. That is our objective, and I have outlined the starting points.

Labour is committed to the goal of the 1944 White Paper, which stated:

> "The Government accept as one of their primary aims and responsibilities the maintenance of a high and stable level of employment".

Is that one of the present Government's primary aims? Is it something that they see as one of the important features of their economic policy? If so, why have they so singularly failed to achieve it over such a long period?

We have specific policies aimed at tackling the problem of unemployment which, as my colleagues have rightly said, is crucial to the success of our economy. Our first priority will be to tackle the problem of job creation. To increase the number of jobs in the short term, we have talked about the phased release of capital receipts, so that local authorities can build homes. We have proposals for public-private partnerships, at national and local level, to boost infrastructure investment and create jobs. We have called for environmental initiatives to create jobs through a nationwide programme of energy efficiency, to provide better insulation and improve household energy conservation standards. All those proposals would create employment. We have also talked about an expansion scheme for small businesses, to enable them to invest and meet the needs of a modern economy.

Alongside those proposals, we believe that central to the task of promoting employment in the last part of this century will be our determination to invest in the skills of our people. We are committed to a programme of lifelong learning for all. We can achieve that only by raising standards in our schools and by improving access to colleges and universities. We want every young person to be encouraged to remain in mainstream education and training. We want to develop a system of training and education for 16 to 19-year-olds, which will combine academic and vocational qualifications.

We have talked about specific training schemes for women and the ethnic minorities. We have talked about introducing a national skills audit, to identify skill shortages and to target resources to provide training,

[Mr. Geoffrey Hoon]

which will lead to employment. *[Interruption.]* Conservative Members are scoffing, but they should not simply rely on their Conservative central office briefs telling them that Labour has no policy. The things that I mentioned are Labour's policies. They have been set out and debated in public. Conservative Members should consider them before they simply repeat the chorus that central office wants them to repeat in such a debate.

We want to establish a university of industry. We shall provide new opportunities for retraining, to ensure that the skills that companies already have are improved to meet the challenges of the modern economy. Those are published policies that Conservative Members can read instead of relying on the material supplied to them by central office.

The strategy that I have outlined is crucial, because the Bank of England's February inflation report pointed to Britain's lack of capacity and the slow response of investment in the recovery as a threat to that recovery's sustainability. There is not any significant evidence—again, this is pretty much what the hon. Member for Bridlington was saying in his analysis of Britain's economy—that the recovery is being sustained. We shall sustain that recovery only if we recognise that the Government have an important role to play in encouraging higher levels of investment.

Government cannot second-guess commercial judgments of investors and managers, but we can change the system of corporate governance to give greater incentives to longer-term finance and opportunities for business to secure start-up capital. We must look at the ways in which we can adjust the corporate tax and financial system to encourage that longer-term investment.

We have talked about encouraging the capital gains tax system to promote that longer-term investment. What has been the Government's response to that? The Prime Minister announces that he wants not only to abolish inheritance tax but to eliminate capital gains tax. No Conservative Member has offered an explanation of how that would be achieved; or where the £3 billion—the cost of such abolition—would come from. If any Labour Member made such a commitment, there would be hysterical outrage on the Conservative Benches about where the money was to come from. We need a Minister to answer that question. Where will the £3 billion cost of the abolition of inheritance tax and capital gains tax, which the Prime Minister announced, come from?

In stark contrast to the Government's laid-back, laissez faire policy, we have a specific series of policies designed to meet the needs of the British economy in the last part of the 20th century. We believe that, by investing in our future and by investing in the skills, training and talents of all our members of society, this country can face up to the difficulties of an increasingly competitive global economy, to ensure that Britain and its people can prosper in the next century.

7.32 pm

Mr. Barry Legg (Milton Keynes, South-West): We have just heard an audacious speech from new Labour, by the hon. Member for Ashfield (Mr. Hoon). The audacity of his speech takes some believing. He had the gall to mention the exchange rate mechanism and Britain's exit from it. His Front-Bench spokesman, the hon. Member for Dunfermline, East (Mr. Brown), will not even answer a question on whether he believes in fixed exchange rates.

The hon. Member for Ashfield also had the audacity to mention the European Union. As a socialist—I use that term very loosely—he failed to mention that there are more than 20 million unemployed people in the European Union. He then went on to talk about spending capital receipts. He was really talking about increasing spending and increasing borrowing, and we have been down that route before—under old Labour. What we have heard from the hon. Member for Ashfield is not a prescription for a successful economy.

In recent weeks, we have had quite a lively debate about the merits of tax cuts, especially on the Conservative Benches. I do not intend to spend much time talking about tax cuts and where they should be focused. We face more immediate economic issues, particularly in the areas of monetary policy and public expenditure. The right hon. Member for Ashton-under-Lyne (Mr. Sheldon) commented on the new timetable for debates on economic affairs that has arisen since the unified Budget was introduced. We tend to have rather long gaps between economic debates now, but that can be helpful if it enables us to take a longer perspective on our economic affairs.

On reading the summer economic forecast produced by the Treasury, we find that some quite significant changes have taken place since the Budget in November. The estimated tax revenues for the current year are forecast to rise by around 11 per cent. compared with the financial year that ended in April. Since the last Budget, we have also had two increases in interest rates. They have risen by 1 per cent. and there has been a consequent tightening of monetary policy.

The effect of those changes is shown in the economic projections in the summer forecast. The economy is starting to slow down fairly significantly in certain areas. First, the forecast of the growth in domestic demand for the current year has dropped since the Budget, from 2.75 per cent. to 2 per cent. The forecast for manufacturing output has been reduced from 4.25 per cent. to 3 per cent. Indeed, the figures for manufacturing output announced yesterday showed a fall of 0.1 per cent. for May and of 0.4 per cent. since April. We are seeing a marked slowing down in manufacturing output.

Growth in consumer expenditure is also forecast to be at 2 per cent.—not 2.5 per cent. as in the Budget forecast. The forecast for fixed investment has been reduced from 5.75 per cent. to 3 per cent. At the same time, as my hon. Friend the Member for Hazel Grove (Sir T. Arnold) remarked, retail sales have been flat over the past 12 months. There is clear evidence of a marked slowdown in the UK economy. I think that in 1995 we shall see a growth pause.

I have no doubt that the Chancellor's decision on 5 May not to increase interest rates was correct. Many hon. Members have remarked on that decision in the debate. I consider that we may now have reached the peak of the interest rates cycle. The next move in interest rates is likely to be down, and that could be more significant for the UK economy than adjustments in taxation levels in the November Budget.

The prospects for the world economy as a whole have also somewhat diminished in comparison with what we were considering six months ago. The prospects for growth in Germany, the United States and Japan are not as great. The international inflation risks have also been reduced. There can—I think—be no case for higher interest rates in the UK economy in 1995.

The other interesting changes in the summer economic forecast are those of the projections for the public sector borrowing requirement. The projected figures for the next two years have worsened by some £6 billion, which is mainly due to a fall in income tax receipts in the current year of some £1 billion, and a fall in VAT receipts from that projected at the time of the Budget of some £3 billion. Receipts from taxes are falling and that is also a sign that the economy is slowing down. Monetary policy should not be tightened further.

My right hon. and learned Friend the Chancellor has set a new target for inflation for the coming years and beyond the end of this Parliament. He is right to have medium-term targets for inflation and he is right to aim for inflation in the region of 2.5 per cent. My only criticism of the Chancellor is that he suggested that inflation might go over 4 per cent. due to events beyond our control and he referred to commodity prices.

I thought that we had learnt the lesson of the 1970s: it is not commodity prices that cause inflation, but Governments who cause inflation. If we looked at what happened with commodity prices in the 1970s, we would remember the hike in oil prices. That did not cause inflation. We have only to look at the comparative performance of the UK and German economies at that time.

In 1975, German inflation increased by 5.9 per cent. In the United Kingdom, it increased by 26 per cent. The following year, United Kingdom inflation went up by 16 per cent., whereas German inflation increased by only 4 per cent. Commodity prices cannot affect inflation unless Governments produce monetary policies that accommodate increases in commodity prices. I offer a word of caution to the Chancellor if he still believes that commodity prices can throw his inflation controls out of the window. It is essential for a responsible Government to have a firm monetary framework and for there to be an intelligent analysis of that framework.

My other area of concern in monetary policy is that the Governor of the Bank of England seems over-concerned about the level of sterling. At his meeting with the Chancellor on 5 May, one of his main reasons for wanting interest rates increased was his belief that sterling had weakened significantly, which could cause inflationary pressures.

I do not think that that is so, and I feel that what the Governor said in his previous meeting with the Chancellor on 5 April better describes the implications:

"The fall in the exchange rate"—

that is, the fall in sterling—

"was a side effect of the international exchange rate turbulence—the weakness of the dollar, or related to non-economic domestic factors".

To take too much notice of movements in sterling against a basket of currencies or against particular currencies at present would not be a sensible way in which to decide monetary policy. It is essential that we have a flexible exchange rate, because British business is trading across the world and needs the right exchange rate with all its international trading partners, not just with one or two.

What the Chancellor does on monetary policy will be vital for our economic success. My hon. Friend the Member for Bridlington (Mr. Townend) set out an agenda for public expenditure reductions, and I hope that the new Chief Secretary to the Treasury will prove a ruthless cost cutter and deliver the savings in public expenditure that are required over the coming three or four months, so that we can reduce the level of taxation. I am sure that in that endeavour, the Chief Secretary will have the support of the Chancellor of the Exchequer and the Prime Minister.

In his November Budget, the Chancellor will have an opportunity to set out a programme of tax reform, and that will help to reinvigorate the Conservative party and to show that our policies are continuing to move forward. Capital gains tax is certainly one area in which reform must take place—indeed, an area in which reform could even achieve higher levels of tax revenue. But I would be more cautious about inheritance tax. We must also consider changes in reliefs, thresholds and personal allowances, so that those on whom tax increases have borne too heavily in recent years will have the prospect of some reduction in what they pay.

7.42 pm

Mr. Barry Jones (Alyn and Deeside): I envied the speech by the hon. Member for Milton Keynes, South-West (Mr. Legg) for its certainties. He certainly fashioned some alibis for his Government. The Chancellor of the Exchequer made a speech of genial ruthlessness, but he had nothing to say, so he attacked his shadow. In contrast, my hon. Friend the Member for Dunfermline, East (Mr. Brown), the shadow Chancellor, spoke for the people of our country. I am glad that he called for investment in our industries and for the rescue of our social services.

There is a daunting agenda. First, 180,000 young people aged 16 and 17 are currently not in work, training or education. About 2.5 million of our fellow citizens are out of work, with little prospect of further meaningful work in their lives. At least 800,000 of our fellow citizens are classed as long-term unemployed. We have also seen the disappearance of apprenticeships.

Hundreds of thousands of our fellow citizens live in homes blighted by negative equity, and there are at least several hundred thousand council homes in desperate need of modernisation—the basic civilised essentials of modern windows and new doors—to make them at least warm and draught-proof. That is a blight on our society.

The Conservative Governments who have held office since 1979 have enjoyed the realisation of about £78 billion-worth of assets from privatisation—a colossal sum. They have also received about £120 billion-worth of North sea oil revenues. I cannot be the only person who finds it incredible to set all that treasure and wealth that Conservative Governments have received, those staggering sums, against the colossal scale of the problems in our society. Those problems are so colossal that we know that, even if there were a change of Government, they could not be righted in the new Government's first term.

[Mr. Barry Jones]

A worse feature of the analysis is that about 2.5 million manufacturing jobs have disappeared since 1979. Real well-paid manufacturing jobs have been lost to our nation. We must acknowledge that Mrs. Thatcher, Sir Geoffrey Howe and Sir Keith Joseph decided on an industrial policy that allowed all those manufacturing jobs to go to the wall. We now know that our nation lacks the capacity of a truly broadly based set of manufacturing industries. That is a wounding reality, and it bodes ill for the next century. I do not think that we can criticise that troika of crazed ideologues too much for what they did to our manufacturing base.

My own priorities remain with aerospace and steel, and here I think I can claim the backing of the whole House. I shall speak in detail about one aerospace project—the airbus. More than 25,000 British people go to work on an airbus every day, and more than 300 British businesses are involved in the airbus project. There are 1,250 airbus airliners in service with 120 airlines throughout the world. Further orders, if they are realised, will be worth up to $52 billion. Furthermore, more than £1 billion a year is contributed by the airbus project, through British Aerospace plc, to the United Kingdom's balance of trade. That must be good.

I am proud of the fact that 2,300 of my constituents make the wings of the airbus—of every airbus—in my constituency. The Government must as a matter of urgency give British Aerospace grants for technological research, specifically for research and development in wing technology. I worry because, in Hamburg, there is now a factory assembling nothing but a variant marque of the airbus. It is clear to me that the Germans covet our wing technology expertise. They want to make wings, so it would help if the British Government gave British Aerospace those grants, by way of reward.

My other local industry is steel, and I acknowledge the work that the Government are doing to try to eliminate the cheating that goes on in some continental steel-producing countries. At the moment, British Steel plc is going great guns, and its profits are high. But everyone who knows steel knows that the day will come—sooner rather than later—when the cyclical trade in steel will dip, and dip horribly. Our British steel industry will then be hit, because our competitors on the continent are cheating by means of illegal subsidies for their steel companies.

We in Britain, in Wales and in my constituency have made enormous sacrifices, with de-manning and with the closure of steel mills. Having created what is arguably one of the world's finest steel industries—with brilliant production and quality—we should not have to suffer that kind of competition from the continent. I ask the Government to look carefully at the matter.

Time is short tonight, and I conclude by saying that I do not think that the Government have any strategic sense with regard to economic policy. It all seems to be tactical, short-term and hand-to-mouth, and that is not good enough for a nation facing major challenges. The Government never exhibit any sense of urgency in their plans related to large-scale unemployment, but such large-scale unemployment in the long term destroys the fabric of our society.

Nor do I see any convincing plans from the Cabinet or the Government for investing in our manufacturing industry in any meaningful way. There are no coherent plans to rescue the national health service from the problems it faces. There are no realistic plans to help our school services or to tackle homelessness. All the people of this country can do is hope that they will be able to vote urgently in a general election.

7.52 pm

Mr. Nirj Joseph Deva (Brentford and Isleworth): I am grateful for the opportunity to follow the hon. Member for Alyn and Deeside (Mr. Jones) and my hon. Friend the Member for Milton Keynes, South-West (Mr. Legg), who made a very technical speech. I would also like to congratulate my hon. Friends who are now assuming their Front-Bench duties for the first time. I wish them the very best.

When the country voted at the last general election, the Conservative party received the largest number of votes it or any other party had received in the history of British politics. When the country voted that day, we were in the midst of the worst recession in Europe, but still the country voted for us. It was not a mere act of faith, but an act of certainty in the ability of the Conservative party—and the Conservative party alone—to turn the country around. That expectation is now being met. The Government have delivered.

In 1992, when those votes were cast, the growth in the GDP was minus 0.5 per cent. Today it is 3.9 per cent., and rising. In 1992, when those votes were cast, interest rates were at 10.2 per cent. Today, they are at 6.7 per cent., and are steady. In 1992, when those votes were cast, inflation was at 4 per cent. Today, it is 3.5 per cent., and is below the European Union average.

In 1992, when those votes were cast, 660,000 people were out of work. Today, there are 660,000 more people in work and supporting their families. In each of the past 22 months, unemployment has fallen. In my constituency alone, unemployment has fallen by 100 per cent. compared with the same period last year. In 1992, when those votes were cast, industrial production was growing at minus 0.1 per cent. Today, it is growing at a phenomenal 5 per cent. a year. In 1992, when those votes were cast, the balance of payments was £10 billion in red. Today, we are beginning to achieve something that has not been achieved since 1984—a balance of payments surplus.

No wonder the Labour party is in a panic, and is hiding behind its leader's sanguine smile. Labour Members are collectively paddling half under the water to stay afloat. The Labour party must acknowledge that it has tried to borrow the Government's policies as its own. I know that imitation is the sincerest form of flattery, and no one—least of all the Labour party—can deny that the party is imitating the Conservative party in all aspects bar one or two, such as its belief in the social chapter and the minimum wage.

Why is the Labour party attempting to steal our clothes if they are ill-suited to the country? Why is the Labour leader discovering every day a new Labour policy which is, in truth, an old Conservative policy? We are flattered by the imitation, and heartened by the confidence that the Labour party has placed in our policies.

We must look at the Government's record to understand the enormity of their success in turning the country around since the general election. No wonder the Labour party is trying to imitate us. Imitate us, by all means—but the more it imitates us, the more it flatters us, and the more it flatters us, the more the country will understand that it will be better to vote for the tutor at the next election rather than the new student. We are old hands at managing the economy well.

Labour's record of economic mismanagement during its entire history has been utterly disastrous, and it has been disastrous because one cannot teach an old dog new tricks. One can try, but in the end it reverts to its own traditions. Each party has an imbued culture, an underlying foundation, and its own ethos and values—in the case of the Labour party, it is pervasive socialism which, try as it might, will never go away.

Along with that all-pervasive socialism comes the desire to intervene, which is a polite word for meddle. The Labour party wants to meddle in people's lives, in how they spend their money, in how they should run their business, in how they educate their children, and in how they support their families. That old desire to meddle and the belief that the Labour party "knows what is good for you" comes from the party's socialist roots. That is why the Labour party is socialist.

Without that need to meddle, and without its socialist roots, the party will be left without a philosophy. Without a philosophy, it will be nothing as a party. It will believe in nothing and will stand for nothing, other than to get power. It will then become nothing—the ultimate nihilistic experience. The party will implode upon itself, smiling sanguinely and with a stiff upper lip to the last behind its languid leader.

Original thinking, like original sin, is unbecoming in the modern Labour party, as the party's modernity is entirely based on its unoriginality. The modern Labour party does not think, it copies. The modern Labour party does not innovate or develop, it merely reflects—like a large cracked mirror—our policies. That is a sad state of affairs.

Perhaps I am being a trifle unfair. The shadow Chancellor, who I notice has left the Chamber, is an original thinker. Last year, in a moment of weakness, the hon. Gentleman thought of something original, which, like a golden egg, dropped on his entire unthinking party. He developed a new economic theory, and called it the endogenous growth theory of the economy. His theory was particularly concerned with investment, a subject about which the hon. Gentleman spoke this afternoon.

In a number of pronouncements, the shadow Chancellor has made his suspicions of the work of business operating in a free economy quite clear. He has said:

"The British free market without effective intervention, has proved to be a static, brittle and second rate model of economic development because people do not have the tools to plan and invest for the future . . . To summarise, crude free market dogma has failed because it does not encourage long term relations and commitments and therefore gives no incentive for people to invest for the future".

As a result, the shadow Chancellor has stated:

"without co-ordinated action we cannot expect to see the kind of investment in industry and in skills and in infrastructure that we need".

Instead of trusting businesses to invest, Labour's version of the endogenous growth theory makes the state the key player in undertaking investment decisions, camouflaging nice-sounding, well-meaning rhetoric on the mechanics of how the Government should intervene directly in the investment process. Yet without the appropriate knowledge of commercial discipline, that cannot be meaningful. Alienated from justifiable economic stimuli, it will serve only to produce less investment, and lower-quality investment.

A specific method of economic and industrial control has been unveiled, involving widespread Government oversight of the economic process. Let us take some of the specific proposals with which the Labour party has threatened us, such as on companies' relationships with other companies.

The Labour party says that a beneficial influence is to be exerted in terms of industrial companies allocating decisions. It says that the state is to influence from whom companies buy, to whom they sell and how they relate to each other over the long term. Have you, Mr. Deputy Speaker, heard of anything so preposterous? The state will tell companies and their boards who to buy from, who to sell to and how to market their products.

On the allocation of companies' investment funds, the Labour party says that the state is to be involved in the type of investment undertaken. Regardless of the needs of the individual business, the Government are to involve themselves in whether a company invests in plant, machinery, advertising, marketing or research.

If the Labour party were elected, which I do not think it will be, we could look forward to a period in which the state—the shadow Chancellor and his team—informed company boards that growth would be better stimulated if they took their £100,000 and invested it in new plant or machinery rather than spending it on an advertising or marketing campaign, or even on a new carpet.

The Labour party says that the state should be directly involved in how firms handle and invest in their employees. On training—

Mr. Deputy Speaker (Mr. Michael Morris): Order. The hon. Gentleman's time is up. I call Mr. Jim Cunningham.

8.2 pm

Mr. Jim Cunningham (Coventry, South-East): I was interested in the remarks of the hon. Member for Milton Keynes, South-West (Mr. Legg), as he is the only Conservative Member who has tried to be honest about the economy. The Treasury has admitted what everyone already knows—that the recovery is slowing down, and that Britain is at the back of the class of industrialised countries on competitiveness. It is now known that, during the period 1979-94, the economy grew at an average rate of 1.7 per cent. per annum. That is the slowest period of growth in this country since 1945.

More shocking still, wages and salaries have been reduced to their lowest share of GDP since the second world war. They went down from 66 per cent. of GDP in the second quarter of 1979 to 62.7 per cent. in the fourth quarter of 1994. Manufacturing output has also received a hammering. In 1993, it was less than 1 per cent. higher than it was in 1973. But what really gives the lie to the Conservative "economic miracle" is that, of all the G7 countries, the UK had the lowest average export growth, at 2.9 per cent. Together with Germany, the UK has the

[Mr. Jim Cunningham]

highest imports among the G7 states, at 26.3 per cent. All those statistics are indictments of the Conservative party's record.

To really appreciate the effect of current policies, one must look at how my constituency has been devastated. Rolls-Royce and GPT have shed about 18,000 jobs in the past 10 years, which shows the magnitude of what has happened in my constituency and other parts of Coventry. The region suffers from poor transport links, which will only be exacerbated by rail privatisation and inadequate plans for the west coast rail link. Large manufacturers have been shedding jobs, causing Coventry's dole queues to rise above the regional average.

People should not forget when they make comparisons that, at one time, Coventry was known as a boom city. The decimation of the manufacturing industry has hit Coventry particularly harshly. One in three of the region's work force are in manufacturing, compared with one in five nationally. The subsequent job losses have created more long-term unemployed people in Coventry than even in Warwickshire.

It is not just the manufacturing sector that has been hurt. The service sector is expected to lose more jobs later this decade. The virtual end of the British coal industry has affected many people in Coventry and north Warwickshire. It is widely recognised that, due in no small measure to the recession and the slow faltering of the so-called recovery, investment in town centres has been slow.

The Government have shifted their excuses for the catastrophic fumbling of the economy, while the dole queues have lengthened and unemployment has more than doubled from just over 1 million in 1979. The labour force survey report shows that 734,000 people are working part-time as they cannot find a full-time job. That should be seen against a background of more than 1 million people earning less than £2.50 an hour. Women have been especially hit by the economic climate. Some 670,000 women earn less than £2.50 an hour.

The "Summer Economic Forecast" that has been laid before us does not show that things will change. On the contrary, the document acknowledges that the rut has been created for us by the Conservative party. Manufacturing industry has borne the brunt of two Tory recessions, as can be vividly witnessed in Coventry. Investment in industry, infrastructure and people are the keys to re-establishing a fragile economy. While extolling the virtues of investment, the "Summer Economic Forecast", however, reports that 1995 will not see as large a rise in business investment as expected.

The Treasury has also declared that total fixed investment is likely to be less than business investment. With growing under-investment, it should not be surprising that Britain has suffered. In May, excluding oil and erratic items for non-EC trade, Britain's volume of exports fell by 2 per cent., while imports rose by 5.5 per cent. The Central Statistical Office has even suggested that the non-EC visible trade deficit is widening. There has been a domino effect as money flows abroad. The net external assets of this country have been diminished, from £17.7 billion at the end of 1994 to £8.2 billion in the first quarter of this year.

Labour has imaginatively put forward an exciting strategy of investment and partnership with industry, and has recognised changing work practices in the run-up to the 21st century. It has also acknowledged the inventiveness and talent of the British people, and has been discussing its proposals with the trade unions and businesses. The Tories, through their shenanigans in a split ribbon leadership race, wiped £10 billion off share prices, which sums up Conservative economic mismanagement.

The Government should listen to the Labour party's proposals. Instead, we have seen clashes between the Chancellor and the Governor of the Bank of England. Labour would make the Bank of England more accountable to Parliament via a statutory framework, as my hon. Friend the Member for Dunfermline, East (Mr. Brown) outlined today.

The rules governing private sector participation in the affairs of the state are in dire need of an overhaul. They need to be amended so that companies would not necessarily recoup all their costs at the point of use. The rules should consider not just cost-effectiveness but social benefits to the community.

The Treasury is also confused in its handling of leases. For example, a 20-year lease costing £200 million but repaid at £10 million a year would be counted against the external financing limit of the £200 million in the lease's first year. Clearly, it should be viewed as £10 million against the external financing limit in the lease's first year.

Most fundamentally, Labour will institute a decade of investment, as compared with a decade of negligence. One way to encourage investment in industry would be to establish an investment in industry unit at the Department of Trade and Industry. In an impact statement, each Government Department should declare how each of its policies would affect industry. The small loans guarantee scheme should be extended. Other measures could include a moratorium law for the courts to attempt to save companies from bankruptcy—not dissimilar to what happens in America.

Those and other proposals are being considered by the Labour party. All we hear from the Government is the tired old statement that has wrecked our economy—the iceberg of blind ideology.

8.9 pm

Mr. Matthew Carrington (Fulham): I apologise to the House for missing most of the earlier part of the debate because I was stuck upstairs in a statutory instruments Committee that went on longer than most of us who were on the Committee expected.

It is sad that I missed the first half of the debate, because I understand that the opening speeches were worth hearing, and especially that the speech of my right hon. and learned Friend the Chancellor of the Exchequer was one to treasure. He laid bare and exposed the policies of the Labour party most effectively, and I am sure that that approach will be carried forward for the next 18 months to two years and will become stronger and stronger.

I welcome to the Treasury Bench my hon. Friend the Member for Erewash (Mrs. Knight), and congratulate her on her appointment, which delights us and all her friends on the Conservative Benches. We look forward to great things from her.

I am especially pleased to have an opportunity to speak in the debate, because the summer economic forecast shows an economy that is in extremely good shape. It is in rather better shape than the country's economy has been, perhaps, since the end of the second world war.

The economy is doing very well indeed in a great many sectors. Unquestionably, there are problems in the economy, but even the apparent problems are in reality strengths. We are witnessing a decline in economic growth, but it is a decline from 4 per cent., which is historically in our economy a very high level, to a much more sustainable level of about 3 per cent. That is to be greatly welcomed, because it means that our recovery from the recession can be continued in a way that will allow the recovery to strengthen, broaden and deepen throughout the economy.

The continuing low retail sales are in many ways a serious problem for our economy. Many parts of industry suffer badly as a result—those that rely heavily on domestic sales. Low retail sales are a serious problem, but they have the advantage of avoiding what has always killed our economy in the past when recovering from recessions—an import boom, a massive sucking in of imports, which has destroyed the balance of payments in the past and caused us so many difficulties. A cautious return of growth in retail sales is therefore to be welcomed.

We should not be overly worried about depressed house prices; they will cure themselves with time, as they already are. The great problem of house prices increasing far too rapidly has beset us in the past and blown our economy right off course, most notably in the boom of 1986 and 1987, when the growth in house prices was largely responsible for the crash that came afterwards. We should therefore all greatly welcome the continuing low growth in house prices.

One of our great strengths is exports. As was said earlier, the increase in export volumes that has taken place—and there is every sign that that increase will continue to be sustained at high growth rates—is something that we have not previously witnessed in this country when coming out of recession. That is extremely positive, and it allows us to hope that this time, our recovery will be sustainable. It offers the opportunity for the next downturn in the economy, when it comes—in economic cycles there is inevitably a downturn—to be mitigated by the strength of our exports and our external market, which is extremely healthy.

Perhaps the biggest problem is inflation. Although inflation is low, it is projected to increase. It is increasing, admittedly, from a low base, which is encouraging, but inflation is the danger in our economy, and that is what we must watch.

I was very pleased to notice in the economic forecast that, after having increased, inflation is projected to decline sharply to an underlying rate of about 2.5 per cent. Inevitably, in the forecast there is no indication of the way in which that decline will be achieved, because the Government, wisely and rightly, give no estimates as to future movements in interest rates.

I hope that it will be possible to avoid a sharp increase in interest rates to control inflation, but in my opinion it is more important to maintain a low inflation rate than to worry about maintaining a low interest rate. We need to take whatever measures are necessary to get the inflation rate under control and to achieve the target of getting back down closer to 2.5 per cent. to 2 per cent. That should be a major objective in economic policy.

However, hope remains that it will not be necessary to increase interest rates to do that. There are signs that the inflationary pressures in the economy are not great and that, in the external economy, if anything, interest rate movements in the United States and Japan will allow us to weather the current inflationary storm. I rather agree with my hon. Friend the Member for Bridlington (Mr. Townend) that, by watching the economic figures during the summer, and certainly through the second and perhaps the third quarter, before doing anything precipitate on interest rates, it may be possible to avoid any increase in interest rates.

One problem will need to be tackled; as things stand, we need to boost the domestic economy. We need to find some way of spreading that recovery from the recession so that it benefits more people. We have heard in many speeches this afternoon about the difficulties that confront the domestic industries in our country. Those industries need to benefit eventually from the recovery, and the sooner the better. To do so, we need to put more money into people's pockets in the right way, and slowly.

There is a strong case to be made for gently encouraging the domestic market to recover. The best way of doing that is by increasing people's disposable earnings. The most effective way of doing that is by reducing taxation, and by reducing direct taxation. I wish to encourage my right hon. Friend the Chief Secretary and my hon. Friend the Economic Secretary to consider seriously ways in which direct taxation may be reduced in the next Budget.

However, it is obvious from the economic forecast that, on the face of it, there is no scope for reducing taxation. Indeed we are witnessing, in the projections of public sector borrowing, a slight increase in the anticipated amount of borrowing this year and an increase in the anticipated amount of borrowing next year, neither of which shows any flexibility to allow for a reduction in taxation. Therefore reductions in taxation must come from a serious review of the public expenditure.

I wish to encourage a rigorous look at public expenditure, because there must be scope for finding substantial reductions in public expenditure, which can then be translated into returning money to people's pockets to spend as they choose, to encourage domestic industries to grow and expand. That is a desirable objective socially and economically, and it must be done sooner rather than later.

The question also arises whether that is best done in income tax cuts or in changes to capital taxes. There is a strong case to be made for changing capital tax, whether it be capital gains tax or inheritance tax, to encourage savings in the economy.

The summer economic forecast reveals that the savings ratio is decreasing and industrial investment, although it is projected to increase quite sharply in this forecast, is showing a marked decline on what was anticipated in the Budget forecast in the Red Book. There is therefore a strong case to be made for encouraging savings, and, in addition to some reduction in income tax, I should like steps to be taken towards reforming the taxation of capital, especially capital gains tax.

[Mr. Matthew Carrington]

We have a strong economy that is going in the right direction and we need to ensure that that progress continues. As a Government, we must not—

Mr. Deputy Speaker: Order. The hon. Gentleman's time has expired.

8.19 pm

Mrs. Helen Liddell (Monklands, East): My right hon. Friend the Member for Ashton-under-Lyne (Mr. Sheldon), who is a very distinguished and experienced parliamentarian, made one of the most perceptive remarks to be heard in tonight's debate. He drew attention to the importance of economic debates and the significance that the country attaches to them, while also drawing attention to the paucity of such debates in this Chamber.

That caused me to reflect, as a much less experienced Member of Parliament, on the fact that the Chancellor of the Exchequer had an opportunity to come to the House today and give a reasoned and detailed explanation of the Treasury summer forecast. He missed that opportunity, and all we got was bluster and theatricality. That does not serve the House or the nation well. We expect better from someone who holds one of the highest offices in the land.

The Chancellor had an opportunity today to tell us why the Treasury summer forecast differs so markedly from last year's Budget. He had an opportunity to explain why the Treasury has revised down its forecast of overall growth in the economy. Gross domestic product in 1995 is estimated to fall from the Budget forecast of 3.25 per cent. to 3 per cent. in the summer forecast. The people of this country are concerned about economic growth; it is an integral part of their lives.

My hon. Friend the Member for Ashfield (Mr. Hoon) pointed out that, in the period from 1979 to 1993, this country has had the slowest rate of economic growth of the 18 countries of the European Community and the G7 nations. A number of Conservative Members referred to an increase in forecast inflation. My hon. Friend the Member for Dunfermline, East (Mr. Brown) pointed to the significantly higher estimates of public sector borrowing requirement.

We are elected, Opposition and Government Members alike, as custodians of this country, its legislative framework and its economic performance. That is key to our future and it is why we, as politicians, have a very low standing in the community. The Government have not fostered an environment in which investment can improve. They are selling out our future.

The low levels of investment in both the public and private sectors—I do not turn repeatedly to the public sector as a panacea for all ills—are selling out this country's future. I do not spend a lot of time playing with a fancy electronic organiser that will tell me what the next day is or when I can expect my husband to take me to dinner. I do not mark down dates in my diary and 1 January 2000 does not mean all that much to me—except I suspect that it will be a rather more alcoholic Hogmanay than usual.

On that subject, I hope that by then we will have a Labour Chancellor who recognises that one cannot take policy decisions based on pique. The whisky industry in my constituency has suffered directly as a consequence of the Conservatives' pique. When they were defeated on the issue of value added tax on fuel, the duty on whisky was increased. As a consequence, we have seen a reduction in revenue to the Exchequer from that industry as well as a reduction in the industry's prospects.

Levels of investment are critical. Inward investment is important to my area. For many years, Scotland has depended on high levels of inward investment. My hon. Friend the Member for Dunfermline, East referred to the opportunities that come from the globalisation of the economy and from increasing technological advances. We have an opportunity to attract companies that are mobile and can invest in this or any other country. Yet we often lose that opportunity, just as we are losing other opportunities that we should seize.

Let us consider, Mr. Deputy Speaker, that you and I are economic strategists for a multinational company which could choose to establish a business in any country in the world. Would it choose to come to Britain when it does not know what is the Government's policy on the exchange rate and when it does not know whether there are one or two Conservative parties on the issue of a single currency? How can businesses plan for the future and view this country as a potential site for industrial investment if the Government are not confident about where they are going and about their long-term future?

The Government have repeatedly been thrown off course. They are committed to short-termism and the Chancellor and his colleagues on the Back Benches have already begun to consider, with some anxiety, their prospects at the next election and the way in which they can use and abuse the economy to secure their re-election. I do not believe that the people are foolish enough to fall for that.

My constituents would have been interested to learn today why 734,000 more people are working part time and cannot find full-time work. Why has the number of temporary employees in industry increased by 30 per cent? Why has the number of those in employment fallen by 14,000 in the first quarter of this year? My constituents and those of every hon. Member in the House—there are more than 650 of us—want to know why they feel insecure at work. The Chancellor's speech has not prompted us to explain to our constituents that the Government are in control and have the country's long-term interests at heart.

My speaking time is short. Most hon. Members have been fairly restrained in their remarks and I will try to do the same. I am very interested in the future of small firms in my constituency. More than 90 per cent. of people in the country work for small firms; it is a fallacy to believe that everyone works for the ICIs and the Marks and Spencers. It is the small firms sector that is most troubled about the future. Some 40 per cent. of those involved in small firms who were polled in a recent *Daily Telegraph* survey said that they did not believe that the country had come out of recession. People in small firms are at the sharp end.

I commend those Conservative Members who referred to what is happening in the retail industry. My constituency used to comprise market towns. When I walk down South Bridge street, the main street in the major town in my constituency where as a child I was taken to buy my Sunday outfit, all I find now are discount stores and empty shops. People have lost confidence in the Government. I do not seek to make a partisan point when

I say that the people are entitled to turn to the Chancellor of the Exchequer and expect answers, not bluster. What we had tonight was bluster and also complacency from a number of Conservative Members.

We cannot be complacent about the country's economic performance and economic future. We have a responsibility to take these debates extremely seriously and to show that we are committed to ensuring the country's future economic growth. We must make sure that the Government are considering some of the existing fundamental problems in the economy.

I do not believe that every economic problem is caused by the Government. However, some honesty and some rational argument on the part of the Chancellor about the nature of the problems that we face would allow people to go forward in partnership. Confidence among our business sector would increase, as would the hope and confidence of those people who fear unemployment. Some 65 per cent. of people fear unemployment and feel insecure in their jobs. Given the events of the past couple of weeks, I would have thought that there was one man who, more than any other, would understand how it feels to be insecure in one's job: the Chancellor of the Exchequer.

8.29 pm

Mr. Nicholas Budgen (Wolverhampton, South-West): The hon. Member for Monklands, East (Mrs. Liddell) represents a considerable strand of the Labour party. She is fluent, she has an attractive way of addressing problems, she has confidence and vigour, and she plainly addresses herself to that great body of those in the private sector who are temporarily disenchanted with the Government.

They look at the policies of new Labour and they say to themselves, "This is splendid. It is a new, reinvigorated Labour party and we can vote for it and have all the advantages of a new form of Conservative Government." They say to themselves, "Here is a smart, young public school boy with his attractive and very successful wife at the Bar. He is just the sort of person that we in Hampstead or Tettenhall feel most comfortable with." They then say, "While we respond to those arguments, what are the principles and the policies of the Government?"

It is true that, after 16 years, there have been some changes. It is instructive for all those outside the Chamber who believe that they can have a Labour Government without substantial changes to read the debate. It is important to examine not just the principles and the policies, but the prejudices of the two great parties. Those prejudices have been eloquently demonstrated in today's debate.

Conservative Members have, by and large, expressed support for my right hon. and learned Friend the Chancellor of the Exchequer. We believe that economic policy is now settled and successful. We have had some discussions about the minutiae of monetary policy, but the persistent theme is the need to cut public expenditure. We admit that it is jolly difficult to cut public expenditure, even when the prejudices of our party are in favour of it.

My hon. Friend the Member for Bridlington (Mr. Townend), as always and rightly, put the need for specific cuts in public expenditure in the first paragraph of his speech. My hon. Friend the Member for Fulham (Mr. Carrington) supported the way in which economic policy is proceeding at present, but he too was looking for cuts in public expenditure. That is a proper expression of Tory prejudice. Yet, in spite of those prejudices, it is extremely difficult to contain public expenditure, and our public expenditure has risen too much.

New Labour, however, offers all the attractive features of Conservative economic policy, but people should listen to the speeches by Labour Members this afternoon. Every time a speech makes recommendations on how the economy could be improved, massive amounts of public expenditure are involved. The public school boys leading the Labour party will say, "Oh no, that is only old Labour. The right hon. Member for Chesterfield (Mr. Benn) is completely out of touch with everything that is happening, but we have younger, smarter, cleverer people and we don't want massive amounts of public expenditure." But we have only to look at the speeches made this afternoon.

The hon. Member for Ashfield (Mr. Hoon) produced a massive catalogue of suggestions for increases in public expenditure. He is an important figure on the Labour Front Bench who is thought to be modern, new, intelligent and well educated Labour, well away from the trade unions, but he gave us a massive catalogue of expensive promises.

The hon. Member for Birmingham, Hodge Hill (Mr. Davis) is solid, decent and moderate. What was his prescription for improving the economy? It was spend, spend, spend. The hon. Member for Alyn and Deeside (Mr. Jones) is not one of the right hon. Member for Chesterfield's wild men with roving eyes and a mad look, but another decent, sound man who might be in middle management anywhere, but yet again he makes further suggestions for increasing public expenditure. Those solid citizens that would support a Labour Administration would ask for more public expenditure.

I am glad that the hon. Member for Wolverhampton, North-East (Mr. Purchase) is here. I gave him notice that I would mention him. I have watched him and his colleague the hon. Member for Wolverhampton, South-East (Mr. Turner) these past 10 years as they have been councillors in Wolverhampton and then Members of Parliament. Every time there is a suggestion for closing a hospital or moving facilities elsewhere, they ask for more public expenditure. They want more public expenditure for general practitioners and they are extremely good at supporting middle-class claims for extra public expenditure. When the lawyers complain, they want more money for legal aid. Whenever there is a suggestion for more public expenditure, along come those solid citizens representing new Labour—the soft, decent face of a Labour party that can give the country Conservatism under a different name.

The prejudices of our parties are quite different. The Conservative party wishes to reduce the size of the state; we want to reduce public expenditure, because that is the only safe way to reduce taxation and the only way to keep interest rates down.

The Labour party should realise that it cannot reintroduce exchange controls or any form of capital control. It will have to borrow money from the global pool of capital. If it comes to power, those solid citizens will put pressure on the fresh-faced public school boy and we shall be back to the old story of an enormous public sector borrowing requirement, higher taxes and higher interest rates, and there will be no difference whatsoever

[Mr. Nicholas Budgen]

in substance between the fresh-faced public school boy and all the old chaps who are in favour of old Labour and the nostrums of the right hon. Member for Chesterfield.

8.36 pm

Mr. Alan Milburn (Darlington): We have heard in the debate a tale of two Britains. We have heard the official version from the Chancellor of the Exchequer earlier today, who described a Britain on the up—a Britain where everything is improving dramatically and insecurity and unemployment are about to become things of the past. At one point, I thought that the Chancellor was about to follow his predecessor by using a gardening metaphor. Hon. Members will remember those famous green shoots of recovery. I thought that the present Chancellor was about to talk about everything coming up roses.

Like the previous Chancellor, the right hon. and learned Gentleman will quickly find that the public simply do not believe that message of optimism because it jars against the other Britain—the real Britain, where, unfortunately, confidence is low, pessimism is high and insecurity in the job and housing market is the order of the day. It is the Britain where middle and low-income families face record tax bills and ordinary families are paying more for less—more tax for fewer services. It is a Britain where millions of home owners have lived through more than five years of crisis in recession, debt and repossession. As the debate takes place, more than 1 million home owners remain trapped in negative equity.

A Government committed to the home owner would seek to create the conditions in which the insecurities, doubts and lack of confidence in the private housing market were removed. The Government's approach is clearly driven by an understandable fear of a lurch back into the bad old boom-bust cycles, for which they were largely responsible and which they wish to avoid again. I understand that fear. They are right to be fearful but are wrong not to recognise the fact that the economic circumstances of the 1990s are very different from those of the 1980s. The danger in the present situation is not that a recovery in the housing market will inevitably set up a damaging inflationary spiral but rather that a lack of recovery in the housing market will dampen prospects for the economy as a whole.

The Government have a responsibility to carry out the promises and pledges that they made to home owners. They can do that quite simply tonight. The new Chief Secretary to the Treasury, when he winds up in an hour or so, can tell the House that he will recommend to the Secretary of State for Social Security that he drop the proposal to remove benefits from unemployed home owners. The Chief Secretary can say that he will review the additional tax burdens that ordinary home owners face, as a result of the fact that, between January of last year and October of this year, repayment costs on an average home have risen by more than £800, because of interest rate rises, two cuts in mortgage interest relief at source—MIRAS—and the cost of private mortgage insurance.

I recognise that the insecurity in the housing market springs from something deeper than mistrust of the Conservative party. It springs from a growing insecurity in the jobs market and growing economic insecurity in general. In essence, insecurity will remain as long as doubts remain about the prospects for long-term growth in the British economy. Here, as the summer forecast itself bears out, the prospects are rather less rosy. Economic growth, as my hon. Friend the Member for Monklands, East (Mrs. Liddell) said a moment ago, has been cut from 3.25 to 3 per cent.

Nor are the prospects for future sustainable growth any more favourable. Labour Members have consistently argued that the economy requires higher levels of investment for sustainable growth to avoid the boom and the bust, as growth is inevitably derailed by accelerating inflation. Yet in the summer forecast, business investment has been halved from 10.75 per cent., as it was in the Budget just a few months ago, to 4.75 per cent.

Many hon. Members will have read the Bank of England's inflation report and will have noted in the February edition the warning, which I hope that we will all take seriously, that, already,

> "Capacity constraints are becoming widespread in industry . . . This will increase inflationary risks unless productive capacity increases."

Already, the fragile economic recovery that we are seeing is running into all the old problems of capacity constraints, investment gaps and skills shortages—skills shortages when more than 2 million people are officially unemployed. The low capacity of our economy is the main reason why unemployment remains so high and our trade deficit is so large, and is the root cause of rising taxes and high unemployment.

Unless those underlying weaknesses in the British economy are tackled, Britain's relative economic decline will continue through the latter part of this century and into the next. That failure to invest in capacity, whether it is physical or human, lies at the heart of Britain's inflation and its slow growth problems. The result is that, unfortunately, Britain has a sluggish rather than a dynamic market economy. That reflects a failed model of Government: the deregulation dogma, cuts in investment in skills and infrastructure.

Cuts have been made in investment in training at the very time when so many people are out of work and are crying out for an opportunity to gain entry to the labour market. That reflects the failure to see that it is necessary to develop long-term partnerships to improve economic performance. Partnership—between Government and the private sector, and between companies, shareholders and workers—is the model for progress.

Investment is the key to future economic success. Without investment, Britain will not only remain in the slow lane of the global economy, but will remain a country divided. Again, there is a tale of two Britains: prosperity for the few, insecurity for the many, and unemployment and low pay scarring the prospects for all. Britain is locked in a vicious cycle of poverty, rising inequality and economic failure.

It used to be said in the 1980s, when we heard much of the economic miracle, that trickle-down economics would provide the basis for sustainable growth, that they would work, and that cuts in the top rate of tax would mean that those at the bottom would find gainful employment. There has been no economic miracle. There has been an economic disaster. Just a week or so ago, the former Welsh Secretary coined the phrase, "No change, no chance." He was right in more ways than one, because

the summer forecast and all that the Chancellor had to say this afternoon represented no change—no change in policy, no change in direction.

We could be rubbing our hands with glee at the prospects—or rather the lack of them—that arise for the Conservative party from that lack of change in direction, but what worries me is not the life chances of Conservative Members of Parliament but the life chances of the people of this country. The real lesson to take from the economic forecast is that, without a change in Government, life chances will not improve for the majority of people.

8.46 pm

Mr. David Tredinnick (Bosworth): I congratulate my right hon. Friend the Member for Bristol, West (Mr. Waldegrave) on his appointment as Chief Secretary to the Treasury and wish him well in the future as he considers the budgets of the great Departments of State.

I have always believed that we would win the next general election. I have listened to speeches from Opposition Members this evening and am more convinced of that than ever before. My hon. Friend the Member for Wolverhampton, South-West (Mr. Budgen) referred to the speech made by the hon. Member for Ashfield (Mr. Hoon) and to the huge shopping list. The realisation of the bills that will have to be met by an incoming Labour Government will, I believe, frighten voters. Secondly, there will be a recognition that the Conservative Government have moved the country from recession to recovery, and that they have done so at a time of the deepest worldwide recession since the 1920s.

I was struck yesterday, when listening to Opposition Members posing questions on education and employment, by what an uphill struggle the Opposition will have because of the way in which the statistics are changing. How difficult it is for one to mount an effective attack when the statistics are against one.

The hon. Member for Birmingham, Hodge Hill (Mr. Davis) focused his speech tonight on unemployment and said that it was a key factor. Yet all the statistics relating to unemployment and the creation of jobs, are moving in favour of the Government. Unemployment has fallen by nearly 700,000 since its peak in December 1992, and the number of people joining the unemployment register in May was the lowest for five years.

It is hard to attack the Government when the number of people in employment has risen by more than 400,000 to about 25.5 million since the recovery began; and it is hard to attack the Government when redundancies are down to half the level that they were a year ago. It is also hard to attack the Government when, over the three months to May, the number of people out of work for a year or more fell by 40,000 and the number of people employed in manufacturing industry is on the rise.

When I listen to some Opposition Members, I really think that we are living in different worlds. *[Interruption.]* We have heard the theme of the tale of two cities from the Opposition this evening, but with such improvements in the economy, it is hardly surprising that the Opposition made so little headway yesterday.

It is in part due to the success of our economic policies that the Conservative party is now recovering in the polls. *[Interruption.]* The most recent polls show us recovering, but Opposition Members do not like to hear that. The recovery is also due to the Opposition's failure to present credible costed policies. That was the problem faced this evening by the hon. Member for Dunfermline, East (Mr. Brown). They are not helped when the Leader of the Opposition appears to have begun to distance himself from one of their key policies, the minimum wage, saying that he wants to leave it to the unions to negotiate rather than coming up with a figure.

Perhaps that is why the stock market has surged recently. That is further evidence of economic recovery, although, judging by the speech made by the hon. Member for Coventry, South-East (Mr. Cunningham), he may not have noticed it. However, the key factor in boosting the stock market, which is an illustration of people's confidence, is the fact that my right hon. Friend the Prime Minister has been re-elected with a greater majority than the leader of the Labour party achieved in his election. *[Interruption.]* Hon. Members do not like to hear it, but it is true.

I welcome the summer economic forecast. I quite understand why growth has to come down slightly if we are to keep inflation within a figure which will enable us to compete internationally. I welcome the target of 2 per cent. of GDP for the PSBR for 1996-97 and the need to keep tight control. Growth is what we need and will get. Some Opposition Members may give us credit for the fact that unemployment in France is twice that per capita in Britain, and France has yet to begin to reconstruct some of its state industries.

I come now to the area that I represent—the middle of England, the east midlands. Manufacturing in the east midlands has performed strongly in recent years and its share of regional GDP at 29 per cent. is higher than anywhere else in the country. Output is up 32 per cent. over the past decade. If we have a problem, it is that not enough inward investment into Britain is going to the east midlands. That is something which I hope that the Government will address.

That the east midlands is doing so well is in part due to Toyota's huge new plant near Derby. When I was parliamentary private secretary to the Minister of State, Welsh Office, I visited that plant, on behalf of the Welsh Office, on its opening. It is a wonderful plant, which has had a large impact on the east midlands, in particular stimulating the trend towards exports.

My hon. Friend the Member for Bridlington (Mr. Townend) referred to the fact that this is the first time that he has seen an export-led recovery. My hon. Friend the Member for Fulham (Mr. Carrington) talked about the importance of the export-led recovery possibly shielding us against a downturn in the future. We listened to the shopping list of the hon. Member for Ashfield, but I was surprised to hear him say that the export-led economy is not helping the domestic economy. If that is the case, he certainly has not visited my constituency. The success of specialised companies there and in other parts of Leicestershire has played an important part in rejuvenating the local economy.

For example, Nelson Burgess in Hinckley, which makes massive industrial exhaust systems, has doubled its work force on the basis of export orders. Intertech has received a £31 million order from Nigeria for radio equipment. Another company which is well known to everybody, Caterpillar (UK) at Desford, has just received the Queen's award for industry for exports. That is why unemployment in my constituency is down from 4.1 per

[Mr. David Tredinnick]

cent. to 3.8 per cent. I am very surprised that the hon. Member for Ashfield can say that exports have no bearing on the domestic economy.

The hon. Member for Dunfermline, East referred to the importance of training. He suggested that we were taking no notice of training, whereas my right hon. Friend the Prime Minister and his Ministers have a firm policy on training. That has been an excellent area of growth in my constituency in recent months. At an award ceremony in my constituency, 12 firms received the training for excellence award.

My right hon. Friend the Chief Secretary to the Treasury should not be put off by what is said by Opposition Members. Our policies are working. It is much more important to get right the fundamentals in the economy so that we can compete internationally in order to generate the revenue that we can spend on training rather than going to the IMF and borrowing the money, which would mean putting up interest rates and return us to the old vicious cycle.

My right hon. and learned Friend the Chancellor said that this is the best country in the European Union in which to invest, and it is, and that is because of my right hon. and learned Friend's policies. As my right hon. and learned Friend approaches his next Budget, he should address three issues. I accept that we have problems with the housing market. In Leicestershire, the problems are to be found in the middle range rather than at the bottom or the top of the market. We also need to consider the problems of the married couples' allowance. Finally, if it is a matter of income tax or interest rate reductions, I would urge my right hon. and learned Friend to reduce interest rates first.

8.56 pm

Mr. Malcolm Chisholm (Edinburgh, Leith): Opposition Members are relieved this week to get away from the irrelevant leadership escapism of the rabble on the Conservative Benches and face up to the reality that confronts our constituents—the growing inequality and insecurity that we debated on Monday, and the economic failure that underlies that which we are debating today. Even this week, I cannot give too many marks to the Chancellor for facing up to reality, because what he displayed today was a mixture of hypocrisy, brass neck and election babble, which will deceive no one in the country and possibly not even himself.

I start with the four indicators that the Government chose to highlight in the motion of which they are so proud—growth, exports, inflation and borrowing. It takes brass neck for them to boast about growth with the all-time low record of 1.7 per cent. since 1979, below that in the other G7 countries. Of course, the figure sometimes has to creep up to compensate for the recessions that the Government create, but even this year they will struggle to manage growth of 3 per cent. The manufacturing output figures released this week put that in question, as does the total failure of investment to take off in the economy.

The Government are, perhaps, proudest of exports. Again, what a nerve they have. Their record of export growth is the lowest in the European Union. The export growth that they achieved last year resulted, in fact, from the failure of their economic policy: it happened only because of devaluation. That 8 per cent. figure was just in line with the world average, as an 8 per cent. expansion of world trade took place last year. Other countries that devalued their currencies enjoyed greater export growth; the figure was 9 per cent. in Italy and 17 per cent. in Sweden.

What about borrowing? Well, if it reaches £50 billion, of course it must come down; but the significant aspect of the summer forecast is that it is revised upwards. At no point in the current economic cycle will the Government conform with the golden rule, and most commentators are now saying that there is no economic argument for tax cuts in view of that. The Chancellor, however, has said that he wants to cut taxes in time—and to him that means in time for the next election.

The Government boast about inflation. Again, most commentators question whether they will meet their inflation target. They are very proud of having lowered inflation, but again we should look at the international picture. The Government are very much in line with other countries and there are disinflationary forces in the international economy; in fact, our inflation rate is now higher than those of France, Germany, the United States and Japan. Last year, our inflation rate was 113 per cent. of the OECD average, only slightly less than the figure that obtained at the end of Labour's time in office: the figure was 122 per cent. in 1978. I do not think that the Government have too much to boast about, even in regard to inflation.

Those, of course, are the Government's chosen indicators. They ignore more worrying indicators, which have far gloomier implications for the country. The key indicator is investment, in which we come 22nd out of 24 OECD countries. The figure fell last year for the fifth successive year, and it is falling further this year. It is on that key factor that Labour's economic policy is concentrating; our analysis is based on the failure of investment, and all our prescriptions are directed primarily towards dealing with it. My hon. Friend the Member for Darlington (Mr. Milburn) spoke of capacity shortages, as has the Bank of England, and others have issued the same warning. That is the problem with which we are keenest to deal when we come to power.

There are many policies that I have no time to describe, but I should like to say a little about dividends, which we are examining in our corporate tax review. The enormous increase in dividends has, however, already been highlighted by a previous Financial Secretary to the Treasury, by the Select Committee on Trade and Industry and by the Institute of Fiscal Studies. They have increased from 1.5 per cent. of gross domestic product when the Government took office to 5.4 per cent. now. That almost mirrors the decline in investment from 21 per cent. in 1979 to 17 per cent. now. More of companies' profits must be used for investment rather than dividends.

The Government chose to ignore many other indicators—for instance, the growing inequality in society. There is no trade-off between equality and economic efficiency, as many Conservative Members often argue; in fact, there is much evidence that countries where there is more equality have better economic records than "unequal" countries such as ours. Our constituents perceive that as the reality of the present Government. The Chancellor merely referred to the growing wage inequality in his usual dismissive way in trying to put down our minimum-wage policy. On Monday, the

Secretary of State for Social Security said that we should conduct a pilot study for the minimum wage; but every country in Europe is "piloting" it, and many academic studies show that the Government are lying when they say that a minimum wage set at the correct rate will cause job losses.

Can the Government really justify circumstances in which a utility boss earns in one month what someone on £2.50 an hour will earn in four and a half years? What will they do about that? We know what they will do: they are introducing the jobseeker's allowance to drive low wages even lower. The problem is not just wage inequality; it is the whole regressive tax system in which the top 1 per cent. have been paid the equivalent of £300,000 in the Government's lifetime, while the bottom fifth pay tax at 39 per cent. rather than at the 31 per cent. rate that they paid in 1979.

The other great factor behind inequality—almost unmentioned by the Chancellor—is unemployment. The Government boast that the figures are falling, but we note that in the first three months of the year, employment fell too. Many people with jobs work part time. Some want to, but others do not: we are told that three quarters of a million people have part-time jobs that they do not want, which clearly increases the insecurity that many are experiencing. At some point in the past five years, 10 million people have been unemployed. That is why it is not just the poorest in society who feel a grievance against the Government.

Insecurity feeds through the whole of the middle areas of society and, of course, those sections of society are feeling the full brunt of the great tax increases—the greatest tax hike in British history. That is affecting those middle-income groups, just as it is affecting low-income groups. That is why there is today a great coalition of forces between middle-income, low-income and no-income people. That coalition took to us power 50 years ago this month, and it will take us to power as soon as the Government have the courage to call a general election. It cannot come too soon.

9.4 pm

Mr. Nigel Forman (Carshalton and Wallington): I add my personal warm words of welcome to my right hon. Friend the new Chief Secretary to the Treasury. I welcome him to his important duties in the Front-Bench team and extend those words to all my other right hon. and hon. Friends who are new to their Treasury responsibilities.

In dealing with their responsibilities, my right hon. and hon. Friends, like other members of Governments throughout the European Union and the advanced world, face two awkward realities when trying to steer the economy, a phrase that may be a misnomer these days in the world of global markets. As has been made clear in the debate tonight by many hon. Members, one reality is that we have not one homogeneous economy any more, but several. The second point is that no national authority, whether it is a central bank or a national Government, has any longer a monopoly of control or influence over economic conditions—if it ever had.

There are three main levers of economic policy—monetary, fiscal and supply side. Of those, the greatest room for manoeuvre available to national Government probably exists in the supply side. That should be a lesson for my right hon. Friends when taking policy forward.

In the past few years, Treasury Ministers have been steering the economy, as I rather quaintly put it, effectively. I shall give just a few figures. The corporate sector financial position has improved from deficits of about 4 per cent. of gross domestic product in 1989 and 1990 to a surplus of about 2 per cent. of GDP last year and, I think, a slightly larger surplus this year. In the personal sector, it is the same story of a healthy turnround from a deficit of 4 per cent. of disposable income in 1987-88 to a surplus of 4 per cent. in 1994.

In the public sector, I am glad to say that we are again moving in the right direction. The financial position is improving, but is still vulnerable to the triple risks of slower growth which, as everyone knows, affects tax revenues, the lack of buoyancy in revenues at all stages of the recent economic cycle, and the inevitable public spending pressures in the run-up to a general election, which I am sure thatn my right hon. Friend the Chief Secretary will be well able to cope with. He must, however, be robust in dealing with those pressures because otherwise dangers will flow and we intend to inherit the consequences of our decisions.

As my hon. Friend the Member for Hazel Grove (Sir T. Arnold) said in his interesting speech, the Bank of England, in testimony to the Select Committee on the Treasury and Civil Service, of which I am proud, with him, to be a member, referred to the "tale of two cities" in our economy, a phrase frequently used in this debate. It is right for our constituents to understand, even though it may be disagreeable for them, that whereas in recent years the internationally traded goods and services sector has been buoyant and highly successful, the rest of the economy has not.

No doubt exists that we must hope that the gap between those two sectors will converge, not only from the point of view of Conservative Members, because voters' subjective assessment of how the economy is going will improve if that convergence takes place. That is possible, first, because the figures on real personal disposable incomes are pointing in the right direction in relation to our constituents—this year, it is set to rise by a little over 1 per cent. and next year by more than 2 per cent.—and, secondly, because it would be economically and politically appropriate to have some judicious tax cuts in the forthcoming Budget.

It is not just a dual economy of two cities because there is a third city that one might almost call a shanty town outside the gates of the other two. It is the informal or black economy. So far it has not been mentioned in the debate, but it is important to take account of it in considering what is happening in our society. Nobody knows the precise size of that informal economy, but it is probably between 7 per cent. of GDP—that is the cautious Inland Revenue estimate—and 14 per cent. of GDP, which is an example of some of the academic estimates.

Let us take a middle figure of 10 per cent. of GDP as fair and possibly accurate. That represents £70 billion of economic activity in today's money, and it is largely outside all the formal mechanisms, the information gathering systems and, most of all, the tax system. Therefore, it becomes increasingly important for the Treasury to consider carefully the best and most intelligent ways in which any Chancellor can capture a proportion of that turnover for good public expenditure causes and other necessary Government expenses.

[Mr. Nigel Forman]

Against that background, any tax policy must not only be internationally competitive because of competition between fiscal jurisdictions—a point that I have made in previous debates—but also aim at the broadest possible tax base and the lowest possible rates, particularly on income, so as to maximise the revenue available. At the same time it must gradually shift more of the burden to taxes on expenditure and less to taxes on income and capital, as the Government have sought to do since 1979. Those broad principles should be borne in mind.

I should like to make two or three headline Budget recommendations. Because of the vagaries of the Budget timetable, this debate in July is one of the few opportunities for politicians to place such recommendations on the record. I should like to see several proposals in this year's Budget, but I do not expect the Minister to comment on them, simply to take note of them. First, we should cut the income tax burden on the large number of those who pay it, especially those on average and below average incomes. That is the priority.

Not long ago, I put down a parliamentary question which clearly shows that to make the 20p band of income tax the highest marginal rate for half of all taxpayers would cost about £4.3 billion in today's money, which is just over 0.5 per cent. of GDP. That is not an excessive sum, and it is well within the bounds of what could be prudently afforded by the Chancellor in November.

Secondly, on the expenditure side it is important especially to target any improvements that we can afford on the elderly, on those on the state pension who need help most. The way to do that would be to focus it on those born before a set date. I am trying to direct help to those who are over, say, the age of 75 and who, according to all the indicators, have some of the greatest social and personal needs.

Few of those who were born before 28 November 1920 have occupational pensions. Help would lift some of them out of income support, and that would be a countervailing saving on the other side of the account. By definition, that form of help would be a declining public expenditure commitment. I do not need to spell out why that is so, because it is fairly obvious. A deserving cause could be targeted and it would not take public expenditure out of control.

In the interests of brevity, I shall come to my third and final recommendation. The time has come to introduce a comprehensive tax incentive for personal savings. Many of my colleagues have been advocating such ideas from various quarters. Let us call it PIP—short for personal investment plan. It should be self-certified and there should be stiff penalties to deter potential abuse. It should be available to be offset against all forms of personal savings and investment up to a figure of let us say £10,000 per year per person. So it should be more generous than the existing structure of PEPs, but for the very good reason that it would cover all forms of savings instruments.

It would have great advantages for the investment problem, which has been one of the main themes of the debate. If we could achieve an increase in aggregate investment, it would be a great triumph for this country. It could also be used by people to invest in their own future: in their education and training, their professional updating, refreshment of their skills, and so on.

That would all be to the good and would meet both a social and an economic need. I hope that my right hon. and learned Friend the Chancellor of the Exchequer and my right hon. Friend the Chief Secretary will bear those points in mind as they move towards this year's Budget.

9.15 pm

Mr. Stephen Timms (Newham, North-East): I have only a few minutes and I want to make only one point, picking up from where the hon. Member for Carshalton and Wallington (Mr. Forman) left off. We face a crisis of inadequate investment in Britain, which the Government have failed to resolve. That has been the Government's central economic failure in the past 16 years.

We are a long way from seeing the investment-led recovery that will lead to sustainable growth in Britain. We face a crisis of investment and, therefore, a desperate lack of the underpinning that we need to transform our economy for the new century. In the years since 1979—some hon. Members have referred to this already—the average level of investment as a share of gross domestic product in this country has been 17 per cent. That has put us 22nd out of the 24 nations of the Organisation for Economic Co-operation and Development. We have the worst level of investment of the countries in the European Union and the G7. It is no surprise, therefore, that over the same period we have had the worst economic performance. Our economy has grown at an average of 1.6 per cent. since 1979—the worst of the G7 countries.

Recent evidence shows that our economy is still in a bad state. The Government told us in the Budget that investment would grow by 10.75 per cent. in 1995. Now we are told that it will be 4.75 per cent. In the first quarter of this year the level of investment fell. In March, the Confederation of British Industry told that its survey of investment intentions revealed that companies were increasingly cutting their investment plans in the face of inflationary pressures and the fears of higher interest rates.

The truth is that sustainable growth remains as elusive as ever. Inflationary problems are recurring, while in my constituency 21.7 per cent. of men in the labour market are out of work and there is no confidence anywhere that the position will get better. Nations such as ours that fail to invest have poor economic performance. Until we can tackle that problem and the investment gap, Britain will continue to slide out of the economic and social first division.

I wanted to say a little more about two areas of failure that say a great deal about the problems in our economy. I do not have the time to do that, but I shall just mention them in passing. The first is our lamentable record in research and development. A desperately small percentage of our GDP is spent on that, and the Government have done nothing to put it right. That augurs ill for the future.

The second area is very different, but says a great deal about the Government's failure to manage the economy in recent years. It is the saga of the channel tunnel rail link, in which I have a constituency interest. Eight years after work began on it, even this morning fundamental questions were being raised about whether the funding for it can ever be achieved. That saga poses searching questions about the Government's management of the

economy and the abject failure to deliver key investment projects that should be central to our economic development and which we need if we are to be a successful economy in the new millennium. There is no sign of those projects being put together successfully.

I want to quote a short point made in the recent Rowntree report, which described the problems of inequality in Britain. We should remember that a broad cross-section of people contributed to that report and worked on the team that put it together. It concluded:

"Addressing growing inequality will require investment of resources which could otherwise go into current consumption."

The resources may come

"from taxation, reductions elsewhere in public spending, greater spending by companies on training and investment, or by greater individual payments . . . But if we fail to make this investment, the costs we shall have to face and consumption we shall have to forgo in the future will be greater."

That is a stern warning and one that the Government must heed. If this Government do not, the next Labour Government most certainly will.

9.20 pm

Mr. Andrew Smith (Oxford, East): I welcome the Chief Secretary to the Treasury and his Front-Bench colleagues to their new positions. If I understand rightly from the place in which she is sitting, congratulations are also due to the hon. Member for Torridge and Devon, West (Miss Nicholson) on being appointed as a parliamentary private secretary. I hope that I have not just appointed her to that position. I see that I have not.

I am sure that the Chief Secretary is well aware that he takes over at a time when the downward revision of economic prospects that we have heard so much about in this debate, taken with the pre-election pressures for huge tax cuts and the Prime Minister's new £11 billion spending pledges, will make his job especially difficult.

We heard today a good example of what the right hon. Gentleman is up against. It is clear from the debate that there is a huge split between the Prime Minister and the Chancellor over the Prime Minister's commitment to abolish capital gains tax and inheritance tax—something which the Chancellor told us earlier was too ambitious. I challenge the Chief Secretary to tell us when he winds up whether it is Government policy to abolish capital gains tax and inheritance tax. There are big spending implications in that, which were added to by other aspirations expressed by Conservative Members—not least by the hon. Member for Carshalton and Wallington (Mr. Forman), who must have spent several billion pounds more in the few minutes he had to speak.

The new Chief Secretary will have to square the Chancellor's stated aspiration, to drive public spending below 40 per cent. of GDP, with his own previous speeches, which suggested that the Government would find it difficult to get it any lower. As Chancellor of the Duchy of Lancaster, he told the Institute of Directors:

"The advocates of a return to pre-Modern minimalist Government are whistling in the wind. In any modern democracy, the government is always going to direct"—

"direct" was the word he used—

"around 40 per cent. of the national wealth."

The debate has been interesting, if somewhat staccato with the number of contributions. I have a number of questions that arise from the debate to which I shall come later and which I specifically want to address to the Chief Secretary. First, I want to underline the point made by my hon. Friends the Members for Birmingham, Hodge Hill (Mr. Davis) and for Ashfield (Mr. Hoon) and others, by saying how worrying it is that nearly all the key changes in the summer forecast compared with the autumn Red Book and Budget statement have been changes for the worse.

As my hon. Friend the Member for Monklands, East (Mrs. Liddell) said, no explanation is provided. We should be given one tonight. We know that forecasting is a precarious business—all those uncertainties multiplied together and all those small differences between large numbers. We must expect some variation. In so far as we have heard a Government explanation today, this is all there is to it: we should not worry about the summer forecast—things are pretty much all right, with only a few small differences here and there; the economy is basically on a sound footing.

For the sake of the country and for my party if we win the general election, I would like to think that the economy is on a sound footing. However, when one examines the story, judged against the evidence, one sees that it is far too complacent and self-serving. It presents a flawed analysis of what is going on in the country and reveals a poverty of ambition for what Britain can and must accomplish.

For the key indicators—investment, growth, inflation and the state of the public finances—to look so much worse than just last autumn should disturb the Conservatives every bit as much as it disturbs us. Indeed, one or two Conservative Back Benchers—the hon. Member for Milton Keynes, South-West (Mr. Legg), for example—came close to recognising that.

The Government cannot escape the fact that the arithmetically small differences to which they point are proportionally very large. The summer forecast shows growth in the current year now expected to be down by nearly a tenth as compared with the Budget forecast; inflation to be higher by nearly 20 per cent. proportionately; the PSBR to be higher by 10 per cent.; and business investment to increase by less than half as much as the Government were expecting just eight months ago.

They are not the statistics of a successful economic policy. They are, as my hon. Friends have pointed out, another episode in the Government's persistent failure to modernise the economy in such a way that we achieve genuinely sustainable non-inflationary growth. That is clear from the summer forecast figures. Whereas last autumn they were predicting growth higher than inflation, they are now pointing to fourth quarter inflation higher than the volume level of growth.

Despite welcome falls in the unemployment claimant count, the summer forecast concedes that the rise in employment has been very much less. It puts that down to the expansion of further and higher education and increases in early retirement and in the number of people claiming invalidity and sickness benefits. On page 25, the forecast states:

"Unemployment therefore seems unlikely to go on falling faster than employment is rising."

That begs the crucial question whether the Government believe that the gap will be narrowed in future by unemployment falling more slowly or by employment rising more quickly.

[Mr. Andrew Smith]

The first specific question that I direct to the Chief Secretary is, given the assertion in the summer forecast, does he now expect unemployment to fall more slowly or employment to increase more rapidly? We need to know, because it makes an awful lot of difference to the unemployed and to the social and economic cost to our whole community of that unemployment.

My hon. Friend the Member for Coventry, South-East (Mr. Cunningham) spoke with passion about the unemployed in his constituency, as did other hon. Friends about unemployment in theirs. For this country still to have 836,000 people trapped in long-term unemployment and 619,000 young people without jobs is an obscenity that demands the urgent programme for jobs for which Labour has called, measures to stimulate the recruitment of the long-term unemployed and action to make it easier for people to move from welfare to work.

Equally worrying is Britain's position on investment, especially coming on top of the Government's poor historic record. Total investment in 1994 was still 10 per cent. below the level in 1989, before the recession, and investment as a proportion of GDP fell six years in a row, from 23 per cent. in 1989 to 17 per cent. last year. Given that record, to have to revise downwards, as the summer forecast does, predicted investment growth by more than a half—from 10.75 per cent. to 4.75 per cent., is an indictment not only of the Government's forecasting ability but of what they are doing to the real economy.

Of course, business investment has always proved to be one of the most difficult things to forecast. It is all very well to suppose that the fall in manufacturing investment that we witnessed in the first quarter of this year was, as the summer forecast put it, "erratic", but the forecast does not explain that deteriorating investment outlook. The country deserves an explanation. The second key question that I would like to direct to the Chief Secretary is this: will he tell the House why investment prospects are now so much worse than the Government claimed at the time of the Budget?

My hon. Friend the Member for Alyn and Deeside (Mr. Jones) made a passionate case for investment in manufacturing on behalf of the steel and aircraft industries in his constituency. It is clearer than ever before that Britain needs the strategy for investment that Labour has set out—

Mr. Budgen: Will the hon. Gentleman give way?

Mr. Smith: In a moment.

Britain needs greater incentives for long-term finance, more opportunities for small business to access capital and incentives for investment in skills, infrastructure and transferable technology. As my hon. Friend the Member for Newham, North-East (Mr. Timms) said, we need to get research and development moving in this country if we are to confront the global competitive challenges.

Mr. Budgen: The hon. Member for Alyn and Deeside (Mr. Jones) did not just talk about investment in manufacturing, but made a specific request for grants for the aerospace industry. Is the Labour party in favour of that?

Mr. Smith: We are in favour of an industrial policy that rebuilds the strength of industries undermined by the Government's persistent mismanagement of this country's economy. We are in favour of getting industry moving through a partnership between Government and people and through training to raise the level of skills in our work force, to give people, like my hon. Friend's constituents, the opportunities which they have been denied under this Government and which they know that they can never expect from this Government.

The Government's record on investment is particularly serious given the evidence of high-capacity utilisation—at least in manufacturing industry—to the point where it is generally agreed that the output gap has significantly narrowed, which the summer forecast recognised. Indeed, some analysts believe that the gap may have disappeared altogether. That can only lend further weight to the point made by the Bank of England in its May inflation report, which was stressed by my hon. Friend the Member for Darlington (Mr. Milburn). It said:

"capacity utilisation in manufacturing"—

in the first quarter of 1995—

"was at its highest level for almost six years, at about 18 percentage points above its long-run average".

That underlined the warning in the February report:

"Capacity constraints are becoming more widespread in industry . . . This will increase inflationary risks unless productive capacity increases".

That bears out Labour's argument, as several of my hon. Friends have pointed out, that the shortage of capacity—the failure to invest in plant, skills and infrastructure—limits Britain's growth and causes inflationary pressures to emerge even when there are more than 2 million people unemployed, consumer confidence and demand are very flat and, as some Conservative Members have pointed out, the construction industry has yet to struggle out of recession.

The hon. Member for Cambridgeshire, South-West (Sir A. Grant) referred to the difficulties facing the construction industry and drew attention to the benefits of implementation of the Latham report. He should ask his right hon. and hon. Friends in government when they will find the time to implement the legislative provisions of that report.

My right hon. Friend the Member for Ashton-under-Lyne (Mr. Sheldon) was characteristically wise when he drew the attention of the House to the danger of failing to take account of acting on the depreciation and degeneration of our public capital. People will ask why, given the state of Britain's infrastructure, with its rundown housing and transport systems, the Government are now proposing to cut public investment even further.

My third specific question for the Chief Secretary, if he will listen for a moment, is this: why, according to the summer forecast, is public investment in 1996 set to fall by 8½ per cent.—nearly twice the 4.5 per cent. cut that the Government put forward in the Red Book in the autumn?

Mr. Legg: If, as the hon. Gentleman believes, public investment should increase—that is the case that he and his hon. Friends are putting forward—how high is he prepared to see the public sector borrowing requirement go?

Mr. Smith: We want to cut the PSBR by getting people back to work. That is the way to cut borrowing in this country.

When we survey the state of the economy, we see that the Chancellor is in a difficult dilemma of his own making. Because of the underlying limits to productive capacity, he faces growth high enough to generate inflationary pressures above his target level but not high enough to lessen insecurity at work, to generate sufficient extra employment, or even to bring in tax revenues or to make people better off.

The right hon. and learned Gentleman's response to the dilemma is to go for greater short-term flexibility by loosening the targets that he has set himself on inflation and the public finances. In that way, he hopes to gain extra room for manoeuvre on both the monetary and the fiscal sides in the run-up to the general election.

The Chancellor now says that inflation will be between 1 and 4 per cent. most of the time, when previously—*[Interruption.]* I have here a letter signed by the Chancellor and addressed to the hon. Member for Hazel Grove (Sir T. Arnold), the Chairman of the Treasury and Civil Service Select Committee, which says:

"But setting interest rates consistently at the level judged necessary to achieve the inflation target of 2½ per cent. or less should ensure that inflation remains in the range 1-4 per cent. most of the time."

It is no good the Chancellor saying that he did not say "most of the time", because he signed the letter.

Not only has the right hon. and learned Gentleman loosened his words there, but he now talks about bringing the public sector borrowing requirement back towards balance, whereas he used to say that it was his goal to achieve balance. In effect, he is admitting that his policy may be loosened in the pre-election period.

This is my fourth specific question to the Chief Secretary to the Treasury—

Mr. Stephen: Will the hon. Gentleman give way?

Mr. Smith: No.

If the Chancellor is not loosening his policy, why is he loosening his language? The public finances, another critical area in which the Government—

Mr. Kenneth Clarke: The hon. Gentleman's textual analysis is utterly ludicrous. The inflation target is 2.5 per cent. or lower. I said that we were moving towards balance in the medium term in the 1993 Red Book. It is absurd textual analysis to use a difference of one word between that and the 1994 Red Book. There has been a totally consistent policy. What is Labour's policy on public sector borrowing? What is Labour's policy on inflation targets? We have listened for another half an hour and still we have not heard a word of serious economic policy.

Mr. Smith: The Chancellor of the Exchequer is obviously in a serious difficulty that he cannot get out of. He could not tell my hon. Friend the Member for Dunfermline, East (Mr. Brown) earlier which of his various targets he was following in practice—whether it was the 2.5 per cent. that he told the Governor about, the 3 per cent. that he said in an interview would be a triumph, the 1 per cent. to 4 per cent. range that he tells the public about, or the "most of the time, but we might go over 4 per cent." to which he put his name when he signed that letter. The Government's policy is in chaos.

Not only is the PSBR now projected to be higher than the Government expected at the time of the Budget, but their own panel of independent forecasters has said that it will be 25 per cent. higher than they admit even now. That prompts my fifth question to the Chief Secretary. Does he regard the £16.1 billion in the summer forecast for 1996-97 as an acceptable level for the PSBR? Is it now a target for that year?

Sir Peter Hordern *rose—*

Mr. Smith: No, I am running out of time.

When does the Chief Secretary expect the public finances to reach balance? Let us have a date. The Chancellor would not give us one earlier.

The right hon. Member for Horsham (Sir P. Hordern) invited us earlier to consider what had happened to business taxation. I have news for Conservative Members about that. Not only have the Government clobbered individuals by breaking all their promises on tax and banging on that extra £800 a year from which people are suffering even now, but they have taken more tax from companies as well.

Figures from the Library show that the average share of company income taken by the Conservative Government during their years in office, in corporation tax and other taxes, is 15 per cent., compared with 11 per cent. for the years of the previous Labour Government. In 1994, the Government took 13 per cent. of company income, compared with 11 per cent. in Labour's last year in office.

We were invited by the hon. Member for Brentford and Isleworth (Mr. Deva) to contrast the values and policies of the Conservative and Labour parties. I can tell the House that the choice before the country and the House is clear. The Conservative party breaks its promises on tax cutting and living standards, fails to invest for the future and leaves our productive capacity too small to generate the welfare that people need. The Government have divided the country, trapped millions in poverty and hit middle and lower-income Britain while they have failed to act to end excesses in the privatised utilities. The Government have surrendered their responsibilities to an unregulated market.

The Labour party stands for investment in people, industry and infrastructure, and wants to open up opportunities to enable everyone to make the most of their potential. We say that fairness is crucial to enable people to get on and to get the people of Britain pulling together for economic success. I remind Conservative Members of something that the country will not forget—that it was Labour who defeated the Government over the increase of VAT on fuel, while it was the Prime Minister, the Chancellor and the Conservative party who wanted to force through that unfair tax, just as they will extend VAT again if they have the chance.

The choice is between the parties, but which one can the public trust? The public can never trust the Conservatives again. Government Members have said, "No change is no chance." Labour will bring change and a new future for Britain, and I commend our amendment to the House.

9.41 pm

The Chief Secretary to the Treasury (Mr. William Waldegrave): These economic debates are very different from debates on agriculture. They are much more fun, I

[Mr. William Waldegrave]

have to say. I hope that my right hon. and learned Friend the Chancellor will not find it offensive if I say that I found certain similarities between his speech and that of his shadow, the hon. Member for Dunfermline, East (Mr. Brown). They are both substantial figures who delivered speeches full of jokes. The only difference was that my right hon. and learned Friend had some substance between his jokes, while the hon. Gentleman just had jokes. They were good jokes, but there was no substance in his speech at all.

We did learn one or two things. The hon. Member for Gordon (Mr. Bruce) said that he would have liked interest rates to be higher, and that was helpful. I think that the hon. Member for Dunfermline, East really wanted interest rates to be higher, too. He shifted around a bit, but the tenor of what he was saying in his debate with my right hon. and learned Friend about the Governor of the Bank of England suggested that the hon. Gentleman would have put interest rates up.

There was also an announcement from the hon. Member for Dunfirmline, East of at least one new tax on business, for training. That is very admirable, and it is better that the hon. Gentleman should put that new tax forward firmly. It may be a good thing if he puts it forward and votes for it.

The problem for the Opposition today is a problem that I remember the late, great Keith Joseph explaining to me a long time ago when we were in opposition. He said that it was a miserable business being in opposition when the news is good—not that the news ever was good between 1974 and 1979—and added, "You have to emphasise as much as you can everything that is wrong."

The hon. Member for Oxford, East (Mr. Smith) played some wonderful games with percentages, and stated that a revision from 3.25 per cent. down to 3 per cent. was a great disaster. My goodness, Labour would have been pleased with figures such as those when they had inflation of nearly 27 per cent. It reminds me of Oxford city council, which is run by the partisans of the hon. Member for Bristol, South (Ms Primarolo). It wanted to put up a barrier to stop shoppers crossing a road because the number of road accidents had doubled. I asked how many casualties there had been and was told two—there had been one the year before. One can do things like that with percentages, and the hon. Member for Oxford, East was doing it, but it was not very effective.

Mr. Stephen: Will my right hon. Friend give way?

Mr. Waldegrave: I shall give way just once, as the hon. Member for Oxford, East did not keep to the agreement on time.

Mr. Stephen: I am much obliged to my right hon. Friend. When he reads *Hansard* tomorrow, he will see that the hon. Member for Oxford, East (Mr. Smith) took almost 22 minutes to wind up the debate, in the course of which he made one carping criticism after another of the Government, regaled us with figures of which we are all well aware and, apart from a few generalisations to which we can all say amen, gave no sign whatever of Labour's policy. Is the government of this country to be entrusted to a party whose economic policies are so incredible that it will not even state publicly what they are?

Mr. Waldegrave: In coming to these debates, I have learnt that there is no hope from Opposition speeches or papers on their position. One always hopes that an Opposition will give ideas that one can pinch and claim as one's own, and then say what admirable new ideas one has had. There is no chance of that from the Labour party. Alternatively, one can look at their ideas and rebut them because they are wrong. There is no chance of that either, because no ideas are forthcoming. It is inconvenient of them and I do not think that they are earning their pay on this matter.

The hon. Members for Dunfermline, East and for Oxford, East raised one important matter. They tried to manufacture confusion about our inflation target. There is no confusion about our inflation target, as my hon. Friend the Member for Hazel Grove (Sir T. Arnold) said, and he understood it very well.

Surprisingly, the hon. Member for Gordon tried to contribute to that confusion. He of all people should know that there is no confusion, because he put a question to the Governor of the Bank of England when the Governor came to the Treasury and Civil Service Select Committee. He asked the Governor whether the Government had relaxed their inflation target and the Governor said, "No, I think that that is absolute rubbish." So it seems odd that the hon. Gentleman did not listen to the answer, and neither did the Opposition Front-Bench spokesmen.

Let me give an example of what my right hon. and learned Friend means. Let us say that the last Labour Government had inflation moving between 7 per cent. and 27 per cent. If their target had been consistent with that, they would have said, "We shall set a target at 17 per cent. or downwards" and that is exactly what they would have achieved—an average of 16 per cent. inflation in that period. So the arithmetic is really quite simple.

In an eloquent speech, my right hon. Friend the Member for Horsham (Sir P. Hordern) made the fundamental point that a long-term commitment to low inflation is what produces investment, rather than clever tricks or, Lord help us, state direction. A long-term commitment to low inflation changes the culture of investment and produces long-term investments. Sustained, healthy economic growth at a strong rate, which is what we have now—stronger than any other European country—will become a permanent feature of the landscape only if we keep inflation down and achieve those long-term investments.

Many hon. Members on both sides of the House welcome the fact that the recovery has been led by exports. That is surely to be welcomed. Every Government since the second world war have sought to achieve that, but this is genuinely the first time that a recovery has been export led. Exports have risen by more than 9 per cent. compared with a year ago. My hon. Friends the Members for Cambridgeshire, South-West (Sir A. Grant) and for Bosworth (Mr. Tredinnick) made that point eloquently.

Although manufacturing investment has risen in the past year, obviously we want it to increase further. The framework for that seems to be in place because investment is ultimately caused by profitability. The Opposition, even new Labour, are pretty uncomfortable

with profits in private sector companies. They do not really like them. They nearly always describe profits as excessive and conduct a sort of vendetta against companies that make large profits. The fact that profitability has now returned to its highest since 1988 and is higher than at any time in the 1970s is a good indicator that we shall get that investment in the future.

The hon. Member for Monklands, East (Mrs. Liddell) made an uncharacteristically unfair point about inward investment. She complained that we were not obtaining enough inward investment.

I do not know what figures the hon. Lady can have been reading. We have about a third of all inward investment into the European Union and 40 per cent. of the United States and Japanese investment into the European Union, and a recent Confederation of British Industry survey showed us as being the second favourite destination of mobile investment in the world, after the United States.

Therefore, it was a little unfair of the hon. Lady to make that criticism, and she well knows that Scotland has rightly been a great beneficiary of that inward investment, with a good work force and plenty of good opportunities for investment. That leads to the creation of jobs, not only in Scotland but throughout the United Kingdom.

As many Opposition Members and all Conservative Members who spoke have said, we are talking about the creation of long-term stable jobs in the only way possible—660,000 new jobs in the past two and a half years and, on either measure, unemployment has decreased during that time. Let us hope that that continues.

Living standards are now increasing after inflation and tax. Real personal disposal income is expected to increase by about 1.5 per cent. this year, and that should mean an extra £5 a week for households on average. We expect to keep that going next year and beyond.

Unjustifiably, several Opposition Members accused my right hon. and learned Friend the Chancellor of complacency. One person, the hon. Member for Oxford, East, accused him of loose language. My right hon. and learned Friend could never be accused of any manner of loose language, and he certainly could not be accused of complacency.

If we are to be accused of complacency, let us stand, not on our forecast, which we believe, but on the forecasts of outside organisations. The hon. Member for Oxford, East, who is learned in those matters, will have studied those forecasts and he will know that our forecast lies about in the middle of the range of forecasts by outside organisations. Therefore, by saying that that pattern is likely to come about in the next year and the next year or two we are not being complacent; we are simply predicting what is the best advice that can be given to us from inside and from outside.

The Organisation for Economic Co-operation and Development, for example, expects the United Kingdom economy to grow faster than any other major European country again this year. That is not complacency; it is a fact of which we should be proud, and which we should take the necessary steps to maintain in future.

Many of my hon. Friends mentioned the subject that dominates my mind, and will dominate my mind while I hold this job, which I am delighted to hold—public spending.

As I take on what is a crucial job in Government, described to me by Leon Brittan as the most fascinating job in Government, it is legitimate for my hon. Friends to ask me, in the phraseology of my hon. Friend the Member for Wolverhampton, South-West (Mr. Budgen), what my prejudice or instinct is.

I have sometimes been described as a one-nation Tory or, if one wants to be offensive, a wet Tory—the type of person who admires Rab Butler and people of that kind. I do admire Rab Butler; I plead guilty to admiring Rab Butler.

Let me remind the House what Rab Butler did when he was one of the most distinguished holders of my right hon. and learned Friend's office—he was also Deputy Prime Minister—and in that great office he reduced Government spending from 37.75 per cent. of gross domestic product to 33.5 per cent. of GDP between 1952 and 1955. If that is being a Tory wet, I could probably bring my right hon. Friend the Member for Wokingham (Mr. Redwood) and my hon. Friend the Member for Bridlington (Mr. Townend) with me. My hon. Friend would put up with wetness of that type, I believe, if we reduced public spending to 33.5 per cent. of GDP.

I do not believe that I shall be able to do that, but I believe that I shall have to work, and shall work, extremely hard to continue the Government's commitment to bringing down the proportion of public spending in GDP. That will be the principal target of my efforts and of the efforts of the Treasury in the next spending round.

I believe that that is something that unites all Conservative Members. It is one of the things that fundamentally divide us from the Labour party. The Labour party will not give us targets and so on. It is uncomfortable with that because, as we decrease the percentage of GDP that is spent by the public sector, it will find it more and more difficult not to give an answer. Labour Members will make the debating points that the hon. Member for Dunfermline, East has made—"You just put it up." Yes, it did go up in the recession, but we shall bring it down to the point where the hon. Gentleman must, in the end, be smoked out into agreeing with us, or he will be shown to believe in nothing.

The two most eloquent speeches today were made by the right hon. Member for Chesterfield (Mr. Benn) and by my hon. Friend the Member for Wolverhampton, South-West. The right hon. Member for Chesterfield raised the tone of the debate by offering a real and philosophically coherent alternative. The conventions of the House do not permit me to refer to an amendment that was not chosen, but the right hon. Member's speech reminds us that, although Labour Members tease us about the divisions in our party, the divisions in the Labour party are much deeper, because they are based on a complete difference in philosophy.

The amendment appearing in the name of the right hon. Member for Chesterfield contains a reference to the philosophy of Her Majesty's Government—a belief in markets and so on. I think that that is what used to be called code; he was really referring to Her Majesty's loyal Opposition. It must hurt the right hon. Gentleman that the Labour Front Bench now professes a commitment to market economics which must be anathema to him and to his colleagues who signed the amendment.

[Mr. Waldegrave]

Are they trying to tell us something? Are we to assume that Labour Members have become pink Conservatives after all? My right hon. Friend—I beg his pardon: he should be right hon.—the Member for Wolverhampton, South-West said that we should not allow the country to be fooled by that. *[Interruption.]* My colleagues on the Front Bench are saying, "Steady on." My hon. Friend made his point very eloquently.

What are the gut feelings of Labour Members about those matters? I do not believe that they have become pink Conservatives; I believe that they have listened to the PR men and the pollsters, and they do not think that they will be elected if they allow their true colours to show. I believe fundamentally—it is obvious from every debate in this place and in our constituencies and from the hon. Member for Bristol, South (Ms Corston), who is a redoubtable fighter for socialism but who is very quiet nowadays—that Labour Members believe in higher spending and higher taxing. If they do not believe in that, they do not believe in anything.

Mr. Andrew Smith: Will the Chief Secretary tell the House whether it is Government policy to abolish capital gains tax and inheritance tax?

Mr. Waldegrave: That is a nice easy question to answer: yes. When we can afford to do it, we shall do it.

My hon. Friend the Member for Wolverhampton, South-West should be interested in my next point. Labour Members' commitment to a belief in market economics does not go as far as believing in rewarding the winners in a market system. We believe that the abolition of those taxes will make capital markets work better so that everyone will be better off. Labour Members cannot stomach that, so they fall off the train. At that stage, they do the populist bit and say, "It's going to make some people richer, so we're against it."

That is also their reaction to privatisation. We did not hear anything about the fact that the privatised industries now contribute £55 million a week to the Exchequer, when they cost £50 million a week when they were left to us by Labour. We hear only persistent attacks on a few individuals whom Labour Members allege are overpaid. They go for the cheap populist vote in order to disguise the fact that they have no belief in privatisation.

My hon. Friend's point was eloquently reinforced by a number of Labour Members, a few of whom referred to more spending. They have been house trained to the point where they do not state any figures; they have been told to disguise the fact that their spending pledges are real. That is what so offends the honest socialists on the Opposition Benches who want to spend money and who believe in spending money. That is what so offended the right hon. Member for Birmingham, Sparkbrook (Mr. Hattersley). He recently wrote in *The Guardian* newspaper that Labour now has a clear choice: it can be either the party of high taxation and proud of it, or the party of higher taxes which it is ashamed to describe.

The Labour party has now become the party that is ashamed to mention its own name—the party that dare not speak its name. It is really the party of high spending and high taxation, but it will not be brave enough to say so.

Question put, That the amendment be made:—

The House divided: Ayes 233, Noes 300.

Division No. 203] **[10.00 pm**

AYES

Abbott, Ms Diane
Adams, Mrs Irene
Ainsworth, Robert *(Cov'try NE)*
Allen, Graham
Anderson, Donald *(Swansea E)*
Armstrong, Hilary
Austin-Walker, John
Banks, Tony *(Newham NW)*
Barnes, Harry
Barron, Kevin
Battle, John
Bayley, Hugh
Beckett, Rt Hon Margaret
Bell, Stuart
Benn, Rt Hon Tony
Bennett, Andrew F
Bermingham, Gerald
Berry, Roger
Betts, Clive
Blunkett, David
Boateng, Paul
Bray, Dr Jeremy
Brown, Gordon *(Dunfermline E)*
Brown, N *(N'c'tle upon Tyne E)*
Burden, Richard
Byers, Stephen
Cabom, Richard
Callaghan, Jim
Campbell, Mrs Anne *(C'bridge)*
Campbell, Ronnie *(Blyth V)*
Campbell-Savours, D N
Cann, Jamie
Chisholm, Malcolm
Church, Judith
Clapham, Michael
Clark, Dr David *(South Shields)*
Clarke, Eric *(Midlothian)*
Clarke, Tom *(Monklands W)*
Clwyd, Mrs Ann
Coffey, Ann
Cohen, Harry
Connarty, Michael
Cook, Frank *(Stockton N)*
Corbett, Robin
Corbyn, Jeremy
Corston, Jean
Cousins, Jim
Cox, Tom
Cummings, John
Cunliffe, Lawrence
Cunningham, Jim *(Covy SE)*
Cunningham, Roseanna
Dafis, Cynog
Dalyell, Tam
Darling, Alistair
Davidson, Ian
Davies, Bryan *(Oldham C'tral)*
Davies, Rt Hon Denzil *(Llanelli)*
Davis, Terry *(B'ham, H'dge Hl)*
Denham, John
Dewar, Donald
Dixon, Don
Dobson, Frank
Donohoe, Brian H
Dunwoody, Mrs Gwyneth
Eagle, Ms Angela
Eastham, Ken
Etherington, Bill
Evans, John *(St Helens N)*
Fatchett, Derek
Faulds, Andrew
Field, Frank *(Birkenhead)*
Fisher, Mark
Flynn, Paul
Foster, Rt Hon Derek
Fraser, John
Fyfe, Maria
Gapes, Mike
Garrett, John
George, Bruce
Gerrard, Neil
Gilbert, Rt Hon Dr John
Godman, Dr Norman A
Godsiff, Roger
Golding, Mrs Llin
Gordon, Mildred
Graham, Thomas
Grant, Bernie *(Tottenham)*
Griffiths, Nigel *(Edinburgh S)*
Griffiths, Win *(Bridgend)*
Grocott, Bruce
Gunnell, John
Hain, Peter
Hall, Mike
Hanson, David
Hardy, Peter
Hattersley, Rt Hon Roy
Henderson, Doug
Heppell, John
Hill, Keith *(Streatham)*
Hinchliffe, David
Hodge, Margaret
Hoey, Kate
Hogg, Norman *(Cumbernauld)*
Home Robertson, John
Hood, Jimmy
Hoon, Geoffrey
Howells, Dr. Kim *(Pontypridd)*
Hoyle, Doug
Hughes, Kevin *(Doncaster N)*
Hughes, Robert *(Aberdeen N)*
Hughes, Roy *(Newport E)*
Hutton, John
Illsley, Eric
Jackson, Glenda *(H'stead)*
Jackson, Helen *(Sheffld, Hl)*
Jamieson, David
Janner, Greville
Jones, Barry *(Alyn and D'side)*
Jones, Jon Owen *(Cardiff C)*
Jones, Lynne *(B'ham S O)*
Jowell, Tessa
Keen, Alan
Khabra, Piara S
Kilfoyle, Peter
Lestor, Joan *(Eccles)*
Lewis, Terry
Liddell, Mrs Helen
Litherland, Robert
Livingstone, Ken
Lloyd, Tony *(Stretford)*
Llwyd, Elfyn
Loyden, Eddie
McAllion, John
McAvoy, Thomas
Macdonald, Calum
McFall, John
Mackinlay, Andrew
McLeish, Henry
McMaster, Gordon
McWilliam, John
Madden, Max

Mahon, Alice
Marek, Dr John
Marshall, Jim *(Leicester, S)*
Martin, Michael J *(Springburn)*
Martlew, Eric
Maxton, John
Meacher, Michael
Meale, Alan
Michael, Alun
Michie, Bill *(Sheffield Heeley)*
Milburn, Alan
Miller, Andrew
Mitchell, Austin *(Gt Grimsby)*
Morgan, Rhodri
Morley, Elliot
Morris, Rt Hon Alfred *(Wy'nshawe)*
Morris, Estelle *(B'ham Yardley)*
Morris, Rt Hon John *(Aberavon)*
Mowlam, Marjorie
Mudie, George
Mullin, Chris
Murphy, Paul
Oakes, Rt Hon Gordon
O'Brien, Mike *(N W'kshire)*
O'Brien, William *(Normanton)*
O'Hara, Edward
Olner, Bill
O'Neill, Martin
Orme, Rt Hon Stanley
Parry, Robert
Pearson, Ian
Pendry, Tom
Pickthall, Colin
Pike, Peter L
Pope, Greg
Powell, Ray *(Ogmore)*
Prentice, Gordon *(Pendle)*
Prescott, Rt Hon John
Primarolo, Dawn
Purchase, Ken
Quin, Ms Joyce
Radice, Giles
Randall, Stuart
Raynsford, Nick
Reid, Dr John
Robertson, George *(Hamilton)*
Robinson, Geoffrey *(Co'try NW)*
Roche, Mrs Barbara
Rogers, Allan
Rooker, Jeff
Rooney, Terry
Ross, Ernie *(Dundee W)*
Rowlands, Ted
Salmond, Alex
Sedgemore, Brian
Sheerman, Barry
Sheldon, Rt Hon Robert
Shore, Rt Hon Peter
Short, Clare
Simpson, Alan
Skinner, Dennis
Smith, Andrew *(Oxford E)*
Smith, Chris *(Isl'ton S & F'sbury)*
Smith, Llew *(Blaenau Gwent)*
Snape, Peter
Spearing, Nigel
Spellar, John
Stevenson, George
Strang, Dr. Gavin
Straw, Jack
Sutcliffe, Gerry
Taylor, Mrs Ann *(Dewsbury)*
Thompson, Jack *(Wansbeck)*
Timms, Stephen
Touhig, Don
Vaz, Keith
Walker, Rt Hon Sir Harold
Walley, Joan
Wardell, Gareth *(Gower)*
Wareing, Robert N
Watson, Mike
Wicks, Malcolm
Williams, Rt Hon Alan *(Sw'n W)*
Williams, Alan W *(Carmarthen)*
Wilson, Brian
Winnick, David
Wise, Audrey
Worthington, Tony
Wray, Jimmy
Wright, Dr Tony
Young, David *(Bolton SE)*

Tellers for the Ayes:
Mr. Joe Benton and
Mr. Jim Dowd.

NOES

Ainsworth, Peter *(East Surrey)*
Alexander, Richard
Alison, Rt Hon Michael *(Selby)*
Amess, David
Ancram, Michael
Arbuthnot, James
Arnold, Jacques *(Gravesham)*
Arnold, Sir Thomas *(Hazel Grv)*
Ashby, David
Atkins, Rt Hon Robert
Atkinson, David *(Bour'mouth E)*
Baker, Rt Hon Kenneth *(Mole V)*
Baker, Nicholas *(North Dorset)*
Baldry, Tony
Banks, Matthew *(Southport)*
Banks, Robert *(Harrogate)*
Bates, Michael
Batiste, Spencer
Bellingham, Henry
Bendall, Vivian
Beresford, Sir Paul
Biffen, Rt Hon John
Bonsor, Sir Nicholas
Booth, Hartley
Boswell, Tim
Bottomley, Peter *(Eltham)*
Bottomley, Rt Hon Virginia
Bowden, Sir Andrew
Bowis, John
Boyson, Rt Hon Sir Rhodes
Brandreth, Gyles
Brazier, Julian
Bright, Sir Graham
Brooke, Rt Hon Peter
Brown, M *(Brigg & Cl'thorpes)*
Browning, Mrs Angela
Bruce, Ian *(Dorset)*
Budgen, Nicholas
Burns, Simon
Burt, Alistair
Butcher, John
Butler, Peter
Butterfill, John
Carlisle, John *(Luton North)*
Carlisle, Sir Kenneth *(Lincoln)*
Carrington, Matthew
Carttiss, Michael
Channon, Rt Hon Paul
Chapman, Sydney
Churchill, Mr
Clappison, James
Clark, Dr Michael *(Rochford)*
Clarke, Rt Hon Kenneth *(Ru'cliff)*
Clifton-Brown, Geoffrey
Coe, Sebastian
Colvin, Michael
Congdon, David
Conway, Derek
Coombs, Anthony *(Wyre For'st)*
Coombs, Simon *(Swindon)*
Cope, Rt Hon Sir John
Cormack, Sir Patrick
Couchman, James
Cran, James
Currie, Mrs Edwina *(S D'by'shr)*
Curry, David *(Skipton & Ripon)*
Davies, Quentin *(Stamford)*
Davis, David *(Boothferry)*
Day, Stephen
Deva, Nirj Joseph
Devlin, Tim
Dorrell, Rt Hon Stephen
Douglas-Hamilton, Lord James
Dover, Den
Duncan, Alan
Dunn, Bob
Durant, Sir Anthony
Dykes, Hugh
Eggar, Rt Hon Tim
Elletson, Harold
Emery, Rt Hon Sir Peter
Evans, David *(Welwyn Hatfield)*
Evans, Jonathan *(Brecon)*
Evans, Roger *(Monmouth)*
Evennett, David
Faber, David
Fabricant, Michael
Fenner, Dame Peggy
Field, Barry *(Isle of Wight)*
Fishburn, Dudley
Forman, Nigel
Forsyth, Rt Hon Michael *(Stirling)*
Forth, Eric
Fox, Dr Liam *(Woodspring)*
Fox, Sir Marcus *(Shipley)*
Freeman, Rt Hon Roger
French, Douglas
Fry, Sir Peter
Gale, Roger
Gallie, Phil
Gardiner, Sir George
Garel-Jones, Rt Hon Tristan
Garnier, Edward
Gill, Christopher
Gillan, Cheryl
Goodlad, Rt Hon Alastair
Goodson-Wickes, Dr Charles
Gorman, Mrs Teresa
Gorst, Sir John
Grant, Sir A *(SW Cambs)*
Greenway, Harry *(Ealing N)*
Greenway, John *(Ryedale)*
Griffiths, Peter *(Portsmouth, N)*
Grylls, Sir Michael
Hague, William
Hamilton, Rt Hon Sir Archibald
Hamilton, Neil *(Tatton)*
Hampson, Dr Keith
Hanley, Rt Hon Jeremy
Hannam, Sir John
Hargreaves, Andrew
Harris, David
Haselhurst, Sir Alan
Hawkins, Nick
Hawksley, Warren
Hayes, Jerry
Heald, Oliver
Heathcoat-Amory, David
Hendry, Charles
Heseltine, Rt Hon Michael
Hicks, Robert
Hill, James *(Southampton Test)*
Hogg, Rt Hon Douglas *(G'tham)*
Horam, John
Hordern, Rt Hon Sir Peter
Howard, Rt Hon Michael
Howarth, Alan *(Strat'rd-on-A)*
Howell, Rt Hon David *(G'dford)*
Howell, Sir Ralph *(N Norfolk)*
Hughes, Robert G *(Harrow W)*
Hunt, Rt Hon David *(Wirral W)*
Hunt, Sir John *(Ravensbourne)*
Hunter, Andrew
Hurd, Rt Hon Douglas
Jack, Michael
Jackson, Robert *(Wantage)*
Jenkin, Bernard
Johnson Smith, Sir Geoffrey
Jones, Gwilym *(Cardiff N)*
Jones, Robert B *(W Hertfdshr)*
Jopling, Rt Hon Michael
Kellett-Bowman, Dame Elaine
Key, Robert
King, Rt Hon Tom
Kirkhope, Timothy
Knapman, Roger
Knight, Mrs Angela *(Erewash)*
Knight, Greg *(Derby N)*
Knight, Dame Jill *(Bir'm E'st'n)*
Knox, Sir David
Kynoch, George *(Kincardine)*
Lait, Mrs Jacqui
Lamont, Rt Hon Norman
Lang, Rt Hon Ian
Lawrence, Sir Ivan
Legg, Barry
Leigh, Edward
Lennox-Boyd, Sir Mark
Lester, Jim *(Broxtowe)*
Lidington, David
Lightbown, David
Lilley, Rt Hon Peter
Lloyd, Rt Hon Sir Peter *(Fareham)*
Lord, Michael
Luff, Peter
MacKay, Andrew
Maclean, Rt Hon David
McLoughlin, Patrick
McNair-Wilson, Sir Patrick
Madel, Sir David
Maitland, Lady Olga
Major, Rt Hon John
Malone, Gerald
Mans, Keith
Marland, Paul
Marlow, Tony
Marshall, John *(Hendon S)*
Marshall, Sir Michael *(Arundel)*
Martin, David *(Portsmouth S)*
Mawhinney, Rt Hon Dr Brian
Mellor, Rt Hon David
Merchant, Piers
Mills, Iain
Mitchell, Andrew *(Gedling)*
Mitchell, Sir David *(NW Hants)*
Moate, Sir Roger
Monro, Sir Hector
Montgomery, Sir Fergus
Moss, Malcolm
Needham, Rt Hon Richard
Nelson, Anthony
Neubert, Sir Michael
Newton, Rt Hon Tony
Nicholls, Patrick

Nicholson, David *(Taunton)*
Nicholson, Emma *(Devon West)*
Norris, Steve
Onslow, Rt Hon Sir Cranley
Oppenheim, Phillip
Ottaway, Richard
Page, Richard
Paice, James
Patnick, Sir Irvine
Patten, Rt Hon John
Pattie, Rt Hon Sir Geoffrey
Pawsey, James
Peacock, Mrs Elizabeth
Pickles, Eric
Porter, Barry *(Wirral S)*
Porter, David *(Waveney)*
Portillo, Rt Hon Michael
Powell, William *(Corby)*
Rathbone, Tim
Redwood, Rt Hon John
Renton, Rt Hon Tim
Richards, Rod
Riddick, Graham
Rifkind, Rt Hon Malcolm
Robathan, Andrew
Roberts, Rt Hon Sir Wyn
Robertson, Raymond *(Ab'd'n S)*
Robinson, Mark *(Somerton)*
Rowe, Andrew *(Mid Kent)*
Rumbold, Rt Hon Dame Angela
Sackville, Tom
Sainsbury, Rt Hon Sir Timothy
Scott, Rt Hon Sir Nicholas
Shaw, David *(Dover)*
Shaw, Sir Giles *(Pudsey)*
Shephard, Rt Hon Gillian
Shepherd, Colin *(Hereford)*
Shepherd, Richard *(Aldridge)*
Shersby, Sir Michael
Sims, Roger
Smith, Tim *(Beaconsfield)*
Soames, Nicholas
Speed, Sir Keith
Spencer, Sir Derek
Spicer, Sir James *(W Dorset)*
Spicer, Michael *(S Worcs)*
Spink, Dr Robert
Spring, Richard
Sproat, Iain
Squire, Robin *(Hornchurch)*
Stanley, Rt Hon Sir John
Steen, Anthony
Stephen, Michael
Stern, Michael
Stewart, Allan
Streeter, Gary
Sumberg, David
Sweeney, Walter
Sykes, John
Tapsell, Sir Peter
Taylor, Ian *(Esher)*
Taylor, Sir Teddy *(Southend, E)*
Temple-Morris, Peter
Thomason, Roy
Thompson, Sir Donald *(C'er V)*
Thompson, Patrick *(Norwich N)*
Thornton, Sir Malcolm
Thurnham, Peter
Townend, John *(Bridlington)*
Townsend, Cyril D *(Bexl'yh'th)*
Tracey, Richard
Tredinnick, David
Trend, Michael
Trotter, Neville
Twinn, Dr Ian
Vaughan, Sir Gerard
Viggers, Peter
Waldegrave, Rt Hon William
Walden, George
Walker, Bill *(N Tayside)*
Waller, Gary
Ward, John
Wardle, Charles *(Bexhill)*
Waterson, Nigel
Watts, John
Wells, Bowen
Whitney, Ray
Whittingdale, John
Widdecombe, Ann
Wiggin, Sir Jerry
Wilkinson, John
Wilshire, David
Winterton, Mrs Ann *(Congleton)*
Wolfson, Mark
Yeo, Tim
Young, Rt Hon Sir George

Tellers for the Noes:
Mr. Timothy Wood and
Mr. David Willetts.

Question accordingly negatived.

Main Question put:—

The House divided: Ayes 300, Noes 251.

Division No. 204] **[10.15 pm**

AYES

Ainsworth, Peter *(East Surrey)*
Alexander, Richard
Alison, Rt Hon Michael *(Selby)*
Amess, David
Ancram, Michael
Arbuthnot, James
Arnold, Jacques *(Gravesham)*
Arnold, Sir Thomas *(Hazel Grv)*
Ashby, David
Atkins, Rt Hon Robert
Atkinson, David *(Bour'mouth E)*
Baker, Rt Hon Kenneth *(Mole V)*
Baker, Nicholas *(North Dorset)*
Baldry, Tony
Banks, Matthew *(Southport)*
Banks, Robert *(Harrogate)*
Bates, Michael
Batiste, Spencer
Bellingham, Henry
Bendall, Vivian
Beresford, Sir Paul
Biffen, Rt Hon John
Bonsor, Sir Nicholas
Booth, Hartley
Boswell, Tim
Bottomley, Peter *(Eltham)*
Bottomley, Rt Hon Virginia
Bowden, Sir Andrew
Bowis, John
Boyson, Rt Hon Sir Rhodes
Brandreth, Gyles
Brazier, Julian
Bright, Sir Graham
Brooke, Rt Hon Peter
Brown, M *(Brigg & Cl'thorpes)*
Browning, Mrs Angela
Bruce, Ian *(Dorset)*
Budgen, Nicholas
Burns, Simon
Burt, Alistair
Butcher, John
Butler, Peter
Butterfill, John
Carlisle, John *(Luton North)*
Carlisle, Sir Kenneth *(Lincoln)*
Carrington, Matthew
Channon, Rt Hon Paul
Chapman, Sydney
Churchill, Mr
Clappison, James
Clark, Dr Michael *(Rochford)*
Clarke, Rt Hon Kenneth *(Ru'cliff)*
Clifton-Brown, Geoffrey
Coe, Sebastian
Colvin, Michael
Congdon, David
Conway, Derek
Coombs, Anthony *(Wyre For'st)*
Coombs, Simon *(Swindon)*
Cope, Rt Hon Sir John
Cormack, Sir Patrick
Couchman, James
Cran, James
Currie, Mrs Edwina *(S D'by'shr)*
Curry, David *(Skipton & Ripon)*
Davies, Quentin *(Stamford)*
Davis, David *(Boothferry)*
Day, Stephen
Deva, Nirj Joseph
Devlin, Tim
Dorrell, Rt Hon Stephen
Douglas-Hamilton, Lord James
Dover, Den
Duncan, Alan
Duncan-Smith, Iain
Dunn, Bob
Durant, Sir Anthony
Dykes, Hugh
Eggar, Rt Hon Tim
Elletson, Harold
Emery, Rt Hon Sir Peter
Evans, David *(Welwyn Hatfield)*
Evans, Jonathan *(Brecon)*
Evans, Roger *(Monmouth)*
Evennett, David
Faber, David
Fabricant, Michael
Fenner, Dame Peggy
Field, Barry *(Isle of Wight)*
Fishburn, Dudley
Forman, Nigel
Forsyth, Rt Hon Michael *(Stirling)*
Forth, Eric
Fox, Dr Liam *(Woodspring)*
Fox, Sir Marcus *(Shipley)*
Freeman, Rt Hon Roger
French, Douglas
Fry, Sir Peter
Gale, Roger
Gallie, Phil
Gardiner, Sir George
Garel-Jones, Rt Hon Tristan
Garnier, Edward
Gill, Christopher
Gillan, Cheryl
Goodlad, Rt Hon Alastair
Goodson-Wickes, Dr Charles
Gorman, Mrs Teresa
Gorst, Sir John
Grant, Sir A *(SW Cambs)*
Greenway, Harry *(Ealing N)*
Greenway, John *(Ryedale)*
Griffiths, Peter *(Portsmouth, N)*
Grylls, Sir Michael
Hague, William
Hamilton, Rt Hon Sir Archibald
Hamilton, Neil *(Tatton)*
Hampson, Dr Keith
Hanley, Rt Hon Jeremy
Hannam, Sir John
Hargreaves, Andrew
Harris, David
Haselhurst, Sir Alan
Hawkins, Nick
Hawksley, Warren
Hayes, Jerry
Heald, Oliver
Heathcoat-Amory, David
Hendry, Charles
Heseltine, Rt Hon Michael
Hicks, Robert
Hill, James *(Southampton Test)*
Hogg, Rt Hon Douglas *(G'tham)*
Horam, John
Hordern, Rt Hon Sir Peter
Howard, Rt Hon Michael
Howarth, Alan *(Strat'rd-on-A)*
Howell, Rt Hon David *(G'dford)*
Howell, Sir Ralph *(N Norfolk)*
Hughes, Robert G *(Harrow W)*
Hunt, Rt Hon David *(Wirral W)*
Hunt, Sir John *(Ravensbourne)*
Hunter, Andrew
Hurd, Rt Hon Douglas
Jack, Michael
Jackson, Robert *(Wantage)*
Jenkin, Bernard
Johnson Smith, Sir Geoffrey
Jones, Gwilym *(Cardiff N)*
Jones, Robert B *(W Hertfdshr)*
Jopling, Rt Hon Michael
Kellett-Bowman, Dame Elaine
Key, Robert
King, Rt Hon Tom
Kirkhope, Timothy
Knapman, Roger
Knight, Mrs Angela *(Erewash)*
Knight, Greg *(Derby N)*
Knight, Dame Jill *(Bir'm E'st'n)*
Knox, Sir David
Kynoch, George *(Kincardine)*
Lait, Mrs Jacqui
Lamont, Rt Hon Norman
Lang, Rt Hon Ian
Lawrence, Sir Ivan
Legg, Barry
Leigh, Edward
Lennox-Boyd, Sir Mark
Lester, Jim *(Broxtowe)*
Lidington, David
Lightbown, David
Lilley, Rt Hon Peter
Lloyd, Rt Hon Sir Peter *(Fareham)*
Lord, Michael
Luff, Peter
MacKay, Andrew
Maclean, Rt Hon David
McLoughlin, Patrick
McNair-Wilson, Sir Patrick
Madel, Sir David
Maitland, Lady Olga
Major, Rt Hon John
Malone, Gerald
Mans, Keith
Marland, Paul
Marlow, Tony

Marshall, John *(Hendon S)*
Marshall, Sir Michael *(Arundel)*
Martin, David *(Portsmouth S)*
Mawhinney, Rt Hon Dr Brian
Mellor, Rt Hon David
Merchant, Piers
Mills, Iain
Mitchell, Andrew *(Gedling)*
Mitchell, Sir David *(NW Hants)*
Moate, Sir Roger
Monro, Sir Hector
Montgomery, Sir Fergus
Moss, Malcolm
Needham, Rt Hon Richard
Nelson, Anthony
Neubert, Sir Michael
Newton, Rt Hon Tony
Nicholls, Patrick
Nicholson, David *(Taunton)*
Nicholson, Emma *(Devon West)*
Norris, Steve
Onslow, Rt Hon Sir Cranley
Oppenheim, Phillip
Ottaway, Richard
Page, Richard
Paice, James
Patnick, Sir Irvine
Patten, Rt Hon John
Pattie, Rt Hon Sir Geoffrey
Pawsey, James
Peacock, Mrs Elizabeth
Pickles, Eric
Porter, Barry *(Wirral S)*
Porter, David *(Waveney)*
Portillo, Rt Hon Michael
Powell, William *(Corby)*
Rathbone, Tim
Redwood, Rt Hon John
Renton, Rt Hon Tim
Richards, Rod
Riddick, Graham
Rifkind, Rt Hon Malcolm
Robathan, Andrew
Roberts, Rt Hon Sir Wyn
Robertson, Raymond *(Ab'd'n S)*
Robinson, Mark *(Somerton)*
Rowe, Andrew *(Mid Kent)*
Rumbold, Rt Hon Dame Angela
Sackville, Tom
Sainsbury, Rt Hon Sir Timothy
Scott, Rt Hon Sir Nicholas
Shaw, David *(Dover)*
Shaw, Sir Giles *(Pudsey)*
Shephard, Rt Hon Gillian
Shepherd, Colin *(Hereford)*
Shepherd, Richard *(Aldridge)*
Shersby, Sir Michael
Sims, Roger
Smith, Tim *(Beaconsfield)*
Soames, Nicholas
Speed, Sir Keith
Spencer, Sir Derek
Spicer, Sir James *(W Dorset)*
Spicer, Michael *(S Worcs)*
Spink, Dr Robert
Spring, Richard
Sproat, Iain
Squire, Robin *(Hornchurch)*
Stanley, Rt Hon Sir John
Steen, Anthony
Stephen, Michael
Stern, Michael
Stewart, Allan
Streeter, Gary
Sumberg, David
Sweeney, Walter
Sykes, John
Tapsell, Sir Peter
Taylor, Ian *(Esher)*
Taylor, Sir Teddy *(Southend, E)*
Temple-Morris, Peter
Thomason, Roy
Thompson, Sir Donald *(C'er V)*
Thompson, Patrick *(Norwich N)*
Thornton, Sir Malcolm
Thurnham, Peter
Townend, John *(Bridlington)*
Townsend, Cyril D *(Bexl'yh'th)*
Tracey, Richard
Tredinnick, David
Trend, Michael
Trotter, Neville
Twinn, Dr Ian
Vaughan, Sir Gerard
Viggers, Peter
Waldegrave, Rt Hon William
Walden, George
Walker, Bill *(N Tayside)*
Waller, Gary
Ward, John
Wardle, Charles *(Bexhill)*
Waterson, Nigel
Watts, John
Wells, Bowen
Whitney, Ray
Whittingdale, John
Widdecombe, Ann
Wiggin, Sir Jerry
Wilkinson, John
Wilshire, David
Winterton, Mrs Ann *(Congleton)*
Wolfson, Mark
Yeo, Tim
Young, Rt Hon Sir George

Tellers for the Ayes:
Mr. Timothy Wood and
Mr. David Willetts.

NOES

Abbott, Ms Diane
Adams, Mrs Irene
Ainsworth, Robert *(Cov'try NE)*
Allen, Graham
Anderson, Donald *(Swansea E)*
Armstrong, Hilary
Austin-Walker, John
Banks, Tony *(Newham NW)*
Barnes, Harry
Barron, Kevin
Battle, John
Bayley, Hugh
Beckett, Rt Hon Margaret
Beith, Rt Hon A J
Bell, Stuart
Benn, Rt Hon Tony
Bennett, Andrew F
Bermingham, Gerald
Berry, Roger
Betts, Clive
Blunkett, David
Boateng, Paul
Bray, Dr Jeremy
Brown, Gordon *(Dunfermline E)*
Brown, N *(N'c'tle upon Tyne E)*
Bruce, Malcolm *(Gordon)*
Burden, Richard
Byers, Stephen
Cabom, Richard
Callaghan, Jim
Campbell, Mrs Anne *(C'bridge)*
Campbell, Menzies *(Fife NE)*
Campbell, Ronnie *(Blyth V)*
Campbell-Savours, D N
Cann, Jamie
Carlile, Alexander *(Montgomery)*
Chidgey, David
Chisholm, Malcolm
Church, Judith
Clapham, Michael
Clark, Dr David *(South Shields)*
Clarke, Eric *(Midlothian)*
Clarke, Tom *(Monklands W)*
Clwyd, Mrs Ann
Coffey, Ann
Cohen, Harry
Connarty, Michael
Cook, Frank *(Stockton N)*
Corbett, Robin
Corbyn, Jeremy
Corston, Jean
Cousins, Jim
Cox, Tom
Cummings, John
Cunliffe, Lawrence
Cunningham, Jim *(Covy SE)*
Cunningham, Roseanna
Dalyell, Tam
Darling, Alistair
Davidson, Ian
Davies, Bryan *(Oldham C'tral)*
Davies, Rt Hon Denzil *(Llanelli)*
Davis, Terry *(B'ham, H'dge Hl)*
Denham, John
Dewar, Donald
Dixon, Don
Dobson, Frank
Donohoe, Brian H
Dunwoody, Mrs Gwyneth
Eagle, Ms Angela
Eastham, Ken
Etherington, Bill
Evans, John *(St Helens N)*
Ewing, Mrs Margaret
Fatchett, Derek
Faulds, Andrew
Field, Frank *(Birkenhead)*
Fisher, Mark
Flynn, Paul
Foster, Rt Hon Derek
Foster, Don *(Bath)*
Fraser, John
Fyfe, Maria
Gapes, Mike
Garrett, John
George, Bruce
Gerrard, Neil
Gilbert, Rt Hon Dr John
Godman, Dr Norman A
Godsiff, Roger
Golding, Mrs Llin
Gordon, Mildred
Graham, Thomas
Grant, Bernie *(Tottenham)*
Griffiths, Nigel *(Edinburgh S)*
Griffiths, Win *(Bridgend)*
Grocott, Bruce
Gunnell, John
Hain, Peter
Hall, Mike
Hanson, David
Hardy, Peter
Harvey, Nick
Hattersley, Rt Hon Roy
Henderson, Doug
Heppell, John
Hill, Keith *(Streatham)*
Hinchliffe, David
Hodge, Margaret
Hoey, Kate
Hogg, Norman *(Cumbernauld)*
Home Robertson, John
Hood, Jimmy
Hoon, Geoffrey
Howells, Dr. Kim *(Pontypridd)*
Hoyle, Doug
Hughes, Kevin *(Doncaster N)*
Hughes, Robert *(Aberdeen N)*
Hughes, Roy *(Newport E)*
Hughes, Simon *(Southwark)*
Hutton, John
Illsley, Eric
Jackson, Glenda *(H'stead)*
Jackson, Helen *(Sheff'ld, H)*
Jamieson, David
Janner, Greville
Jones, Barry *(Alyn and D'side)*
Jones, Jon Owen *(Cardiff C)*
Jones, Lynne *(B'ham S O)*
Jones, Nigel *(Cheltenham)*
Jowell, Tessa
Keen, Alan
Kennedy, Charles *(Ross,C&S)*
Khabra, Piara S
Kilfoyle, Peter
Kirkwood, Archy
Lestor, Joan *(Eccles)*
Lewis, Terry
Liddell, Mrs Helen
Litherland, Robert
Livingstone, Ken
Lloyd, Tony *(Stretford)*
Llwyd, Elfyn
Loyden, Eddie
Lynne, Ms Liz
McAllion, John
McAvoy, Thomas
Macdonald, Calum
McFall, John
Mackinlay, Andrew
McLeish, Henry
Maclennan, Robert
McMaster, Gordon
McWilliam, John
Madden, Max
Maddock, Diana
Mahon, Alice
Marek, Dr John
Marshall, Jim *(Leicester, S)*
Martin, Michael J *(Springburn)*
Martlew, Eric
Maxton, John
Meacher, Michael
Meale, Alan
Michael, Alun
Michie, Bill *(Sheffield Heeley)*
Milburn, Alan
Miller, Andrew
Mitchell, Austin *(Gt Grimsby)*
Morgan, Rhodri
Morley, Elliot
Morris, Rt Hon Alfred *(Wy'nshawe)*
Morris, Estelle *(B'ham Yardley)*
Morris, Rt Hon John *(Aberavon)*
Mowlam, Marjorie
Mudie, George
Mullin, Chris
Murphy, Paul
Oakes, Rt Hon Gordon
O'Brien, Mike *(N W'kshire)*
O'Brien, William *(Normanton)*
O'Hara, Edward

Oiner, Bill
O'Neill, Martin
Orme, Rt Hon Stanley
Parry, Robert
Pearson, Ian
Pendry, Tom
Pickthall, Colin
Pike, Peter L
Pope, Greg
Powell, Ray *(Ogmore)*
Prentice, Gordon *(Pendle)*
Prescott, Rt Hon John
Primarolo, Dawn
Purchase, Ken
Quin, Ms Joyce
Radice, Giles
Randall, Stuart
Raynsford, Nick
Reid, Dr John
Rendel, David
Robertson, George *(Hamilton)*
Robinson, Geoffrey *(Co'try NW)*
Roche, Mrs Barbara
Rogers, Allan
Rooker, Jeff
Rooney, Terry
Ross, Ernie *(Dundee W)*
Rowlands, Ted
Salmond, Alex
Sedgemore, Brian
Sheerman, Barry
Sheldon, Rt Hon Robert
Shore, Rt Hon Peter
Short, Clare
Simpson, Alan
Skinner, Dennis
Smith, Andrew *(Oxford E)*
Smith, Chris *(Isl'ton S & F'sbury)*
Smith, Llew *(Blaenau Gwent)*
Spearing, Nigel
Spellar, John
Steel, Rt Hon Sir David
Stevenson, George
Strang, Dr. Gavin
Straw, Jack
Sutcliffe, Gerry
Taylor, Mrs Ann *(Dewsbury)*
Taylor, Matthew *(Truro)*
Thompson, Jack *(Wansbeck)*
Timms, Stephen
Touhig, Don
Tyler, Paul
Vaz, Keith
Walker, Rt Hon Sir Harold
Wallace, James
Walley, Joan
Wardell, Gareth *(Gower)*
Wareing, Robert N
Watson, Mike
Wicks, Malcolm
Williams, Rt Hon Alan *(Sw'n W)*
Williams, Alan W *(Carmarthen)*
Wilson, Brian
Winnick, David
Wise, Audrey
Worthington, Tony
Wray, Jimmy
Wright, Dr Tony
Young, David *(Bolton SE)*

Tellers for the Noes:
Mr. Joe Benton and
Mr. Jim Dowd.

Question accordingly agreed to.

Resolved,

That this House welcomes the publication of the Government's latest forecast, which shows growth continuing at a steady and sustainable rate, inflation remaining low, exports rising and Government borrowing falling; and recognises that this favourable outlook for the economy is a result of the Government's firm commitment to the healthy and sustainable recovery of a modern and competitive industrial economy.

Immigration Service (Hackney Council)

Motion made, and Question proposed, That this House do now adjourn.—*[Mr. Wells.]*

10.30 pm

Mr. Brian Sedgemore (Hackney, South and Shoreditch): Hackney has had its share of troubles in the past, but in recent years it has become a well-managed council, which attracts large amounts of Government money. It has more than 11,000 employees, the overwhelming majority of whom are loyal and hard-working public servants.

When there is fraud, Hackney tries to root it out seriously. Since 1990, 110 council staff have been sacked or have left when disciplinary action loomed. The council has helped the police successfully to prosecute 24 of those. The council's approach to combating fraud has been praised by the district auditor for four years, and by the police, with whom the council has an excellent relationship. It co-operated with outside bodies, but only within the rule of law. That is where the trouble starts—operations outside the rule of law.

The council was shocked to discover that, earlier this year, a Ms Jill Arnfield of the immigration and nationality department of the immigration service had in her possession a list of 600 Hackney council employees. The information was not supplied by Hackney council but was removed without authorisation from the council's payroll records. Ms Arnfield used the stolen list to run systematic checks on people of whom there was no suspicion of wrongdoing. She then passed the list to a Ms Jenny Gray of the Benefits Agency to run further blanket checks.

When Ms Arnfield handed over the list, she said, according to Jenny Gray, that she had got it officially from Hackney council. That was a lie. She asked Jenny Gray not to tell her line manager that she had the list. However, Jenny Gray told a David Carroll, her line manager, who reported the matter to Hackney council.

The list contained 600 African names, and gave their payroll numbers and their start and leaving dates. It is clear as clear can be from the list—I have here one of the pages from that list—that it has come off a computer, and that its use was in breach of the Data Protection Act 1984. It is my belief that the IND has colluded in a criminal act and has been an accessory after the fact of a crime, which in itself is a crime.

It is clear that whoever supplied the information to the IND did so with the sole aim of encouraging it to investigate all of Hackney council's African employees. That is a gross and despicable violation of the civil liberties of the individuals concerned. They should be investigated only where the IND has grounds for reasonable suspicion against them as individuals, and not because their name appears on a general list. It is a nasty form of racism, which has caused deep offence in Hackney council.

One remembers that, in Germany in the inter-war years, the secret police checked up on Jews merely by virtue of the fact that they were Jews. In Hackney in 1995, a secret police has been checking up on Africans who work for Hackney council merely by virtue of the fact that they are of African descent.

On 10 March, Robert Barr, the assistant chief finance officer, met members of the Immigration and Nationality Department to complain. His confidential minute of the same date records:

"Following the revelation of the list of names the IND officers appeared to be very uncomfortable."

The meeting came to an abrupt end. Now, two Government Departments are refusing to co-operate in an inquiry into crime and one of them—bizarrely—is the Home Office, which is responsible for law and order.

On 11 May 1995, David Wilson, a Home Office official from the IND, wrote to Hackney council:

"On balance we feel that it would be inappropriate for Ms Arnfield to be drawn into your enquiry and that she should not be directly interviewed as part of your investigation. However, should you wish to direct any written enquiries to me at the above address, we will do our best to provide you with answers."

That is a slippery way out of a difficult situation.

On 2 June 1995, P. Gisbey from the Benefits Agency wrote to Hackney council saying:

"In your letter you asked to the Agency's agreement for our officer, . . . Jenny Gray, to be interviewed by you concerning this matter. I have sought advice from our Personnel Command concerning this, and they inform me that it would be inappropriate for this to happen unless it were part of court proceedings and a subpoena issued."

I am a barrister, but perhaps the Minister can tell me and the House how there can be court proceedings and a subpoena issued when the chief witness in the case will not make a statement to the people inquiring into the case—wrap your mind around that, Minister.

I seek three assurances from the Minister. First, will he assure me that Ms Arnfield will co-operate with the inquiry that has now been set up by the Data Protection Registrar, Elizabeth France; secondly, that Ms Arnfield will, with the Home Office's permission, co-operate with any police inquiry; and thirdly, that there will be no issue of public immunity certificates or other devices to protect the staff of the IND?

Moreover, we are not dealing with only one list—there have been others. I have here a copy of a letter dated 17 February 1995 and signed by a Mr. Barrett, assistant director of the IND of the immigration service. It states:

"It is not possible at this stage for my staff to recall which member of Hackney Council's Tenancy Audit Team asked for the checks to be carried out about 18 months ago and I understand that none of the lists"—

in the plural—

"were retained after the checks were completed."

Perhaps the Minister will tell us about the other lists of people being investigated.

Shortly before the story broke in *The Observer*, a journalist went to see Hackney's disgraced and sacked director of housing, Mr. Bernard Crofton, because it was his tenancy audit team and he who had released the information. Mr. Crofton admitted to the journalist that he personally had supplied a list of 300 Hackney council employees to the IND.

He then made the following bizarre suggestion about the list of the 600 African names: he said that Robert Barr, the assistant chief finance officer, had made available to the Benefits Agency details of all 11,000 of Hackney council's employees, that the Benefits Agency had passed them to the IND, and that the IND had then extracted the 600 African names and passed the list back to the Benefits Agency. It is a wonderful story, but it is wholly untrue.

The House will remember that it was Mr. Robert Barr who, on 10 March, went to the Home Office to complain about the original list, but he is now being accused of being the person who provided it. Thanks to me, it is being made known to Mr. Barr what Mr. Crofton has said. If Mr. Crofton makes a statement in public, he will receive a libel writ. However, Mr. Crofton seems to have dropped this particular potty story and gone in another direction.

We have been able to catch Mr. Crofton out in this particular case because he could not have known that I would be told by the journalist exactly what he said. I can hear daft mutterings from above me even as I speak.

A couple of weeks ago, I was going through a long list of documents, and suddenly I was gobsmacked. I found that the suspended director of housing had had a meeting with the Immigration and Nationality Department on 31 October 1994. I wondered why. The Under-Secretary of State who is to reply to this debate, said in answer to my question:

"Following the suspension of Mr. Crofton from his post of director of housing at Hackney council, Mr. Ostler"—

the head of the tenancy audit team—

"sought a meeting."—[*Official Report*, 3 July 1995; Vol. 263, c. 27.]

I can tell the Minister that his answer is not true. How can I be certain that his answer is not true? It is because I have a letter from Mr. Barrett, the assistant director of the IND, written to the chief executive of Hackney council, dated 20 December 1994, which says:

"Turning to the meeting on the 31 October at Becket House, I understand"—

presumably referring to the civil servant who briefed the Minister on his untrue answer—

"that this was arranged at Mr. Crofton's request and was purely a general discussion, with no record of the meeting having taken place."

We have to give accurate answers to parliamentary questions, yet the Home Office civil servant tells me in this letter that we have been given an inaccurate answer. No doubt the Minister will wish to make a statement on that tomorrow.

The plot thickens, because Mr. Crofton has a third account of this meeting. He issued a press release, or a press release was issued on his behalf, last week, which said:

"However, the facts are that the Home Office requested the meeting because of its concerns about publicity following Mr. Crofton's suspension by Hackney council."

First Mr. Ostler was supposed to have sought a meeting, then Mr. Crofton, and then the Home Office.

I discovered over the weekend that, when Mr. Crofton was questioned about the matter, he said that he was telephoned by the immigration service at his home—when he was suspended—and told about the meeting. What a wonderful intimate relationship! The suspended director of housing on Hackney council was telephoned at his home for a meeting of which no minute was taken.

Mr. Crofton goes on:

"The meeting was informal but not secret or unauthorised. Mr. Crofton informed former Chief Executive, Jerry White, of the meeting, and also submitted correspondence to a Council committee confirming the discussion which took place at the meeting."

That is fine—a perfectly rational explanation. Mr. Crofton is in the clear. The only problem is that, when one cross-checks the document and talks to the witnesses, one discovers a web, a tissue, of lies. Every statement that I have just read out is a blatant and deliberate lie.

[Mr. Brian Sedgemore]

The chief executive that we are talking about is now a local government ombudsman—not somebody that one can slag off with impunity. He has confirmed to me that he knew nothing about this meeting, it was totally unauthorised, and he found out about it three weeks later via a third person who refused to attend the meeting precisely because Mr. Crofton was unauthorised and should not have attended the meeting. As for that nonsense about Mr. Crofton reporting it to a committee, Mr. Crofton simply had to report it to the disciplinary panel that was hearing his case. This is the close and intimate friend of the Home Office who is trampling on the civil rights of Hackney's workers.

Then, as if that is not enough for the Minister to answer, the Immigration and Nationality Department has run a dirty tricks campaign, leaking information and misinformation to various journalists supplied by—guess who? First, there is the case of Tim Kelsey of *The Independent*. He leaked some stuff which was given to him by the IND, and there was a row over whether he should say that the investigation was understood to be based on evidence produced by Bernard Crofton. But Mr. Kelsey stuck to his guns and put it in the paper, and that upset Mr. Crofton.

Then, there was a most recent case. One journalist was given the names of two teachers by the IND and told that they were going to be picked up and deported before their interview with the asylum section on 31 May 1995. There are people in this country who believe that it is not natural justice for the IND to announce that somebody is going to be deported before they have even had their hearing. That does not sound right to me, as a barrister.

The journalist insists that the story, which appeared in the *Daily Mail*, came from the Home Office. The Home Office does not want to comment on it. The Minister gave me some facts in a parliamentary answer, but I read about them in *The Guardian* the day before the Minister gave them to me. They had been leaked by the Immigration and Nationality Department.

I could name case after case in which, for whatever reason, the department has sought to destroy the reputation of Hackney council in a disgraceful fashion. Why did someone in Hackney housing department appear to be an arm of the Immigration and Nationality Department? I shall tell you why, Madam Deputy Speaker.

There have been two small groups that constitute two little secret police forces. One—the tenancy audit team, led by Mr. Crofton—comes from Hackney council. Those people have gone potty. If I were to sum up Mr. Crofton, I should say that he is a highly sophisticated liar, that he is deluded, and that, using words in their ordinary and natural meaning, he is a racist. Secondly, for whatever reason, a small group of people in the IND have been using Mr. Crofton.

Mr. Crofton has constructed a world in which "west African" equals "illegal immigrant" equals "fraudster". That equation has buzzed around in his mind until he has blown it, because the equation is not true, and he has not been able to make it stack up. Now, hardly any decent people I know support him—apart from a poisonous little fat boy called Keith Vaness, who is out of his depth, and a few oddballs who have backed Mr. Crofton down the years. *[Interruption.]*

I hear the derisive cheers from the anti-civil libertarians on the Government Benches, but I tell the Minister that the whole business has constituted a disgraceful and shameful act. Hackney council should dissociate itself from the IND immediately, and re-establish a completely new line.

10.46 pm

The Parliamentary Under-Secretary of State for the Home Department (Mr. Nicholas Baker): The hon. Member for Hackney, South and Shoreditch (Mr. Sedgemore) has been most persistent in his attempts to suggest to the House that there is something sinister or improper in the way in which the Immigration and Nationality Department has conducted its affairs with the London borough of Hackney. He has now tabled eight parliamentary questions and three notices of motions.

The hon. Gentleman has also levelled accusations against officials from the Immigration and Nationality Department that are absurd and have absolutely no basis in fact—in fact, I challenge the hon. Gentleman to repeat some of what he has said this evening outside the House—so I especially welcome the opportunity to reject the accusations and to put the record straight.

I am also pleased to have the opportunity to set out serious concerns about three factors. The first is the recruitment policies of Hackney council; the second is the lack of proper checks, which has led to an unsatisfactory situation in which a high number of immigration offenders are thought to be employed by the council; and the third is the lack of co-operation by the council with the immigration service in dealing with apparent abuse of the immigration laws.

The hon. Gentleman has accused the Home Office of a witch hunt. There is none; nor has there ever been a witch hunt by Home Office officials against employees of Hackney council. But where there are apparent abuses of the immigration laws, the immigration service has a duty to investigate them. Eight employees of Hackney council have already been identified as immigration offenders, and served either with papers as illegal entrants or with notices of intention to deport.

The hon. Gentleman accuses Home Office officials of complicity in the theft of a computer disk. I say clearly that the Home Office is not, and never has been, in possession of a computer disk containing details of employees of Hackney council.

He accuses the Home Office of collusion in unlawful and criminal acts. There has been no such collusion. If the council's security procedures have been breached, it is for council officials to pursue the matter with the police, and with the Data Protection Registrar, if appropriate.

The evidence I shall lay before the House tonight will show conclusively that the immigration service has acted properly and with considerable restraint. It has operated in an open manner, offering to co-operate with the council to resolve the matters—an offer which the council has not accepted.

The hon. Gentleman must surely realise that all is not well in the "House of Hackney", and that the lawful activities of the immigration service cannot be used by Hackney council as a smokescreen to cover its own internal difficulties. It is time for the council to stop name-calling—and time for the hon. Gentleman to do the same—and to wake up to its responsibilities. These wild

allegations can only serve to lessen the electorate's view of local government in London, and reflect poorly on the Labour party.

For some time now, the immigration service has received a stream of allegations from different sources alleging that illegal entrants were being employed by Hackney council. Not all the allegations were researched, but only those where there was evidence to suggest that the information was accurate.

The immigration service enforcement directorate is required to investigate allegations and information from whatever source about persons who may be working and/or residing in this country illegally. Such inquiries are not limited to cases of people of African origin or who are black. They are carried out irrespective of the nationality or race of the person concerned, and are based only on the question whether there are reasonable grounds for believing that offences under the immigration laws are being committed.

I have said that a number of immigration offenders working for the council have already been identified. Allow me to give some examples of the lax procedures of the council which enabled these offenders to obtain employment. The hon. Gentleman may then care to reflect on whether he wishes to see the law enforced or not.

On 2 September 1994, the immigration service detained a 35-year-old female who was employed by the London borough of Hackney as a cook. She had overstayed her leave to enter the United Kingdom since 23 October 1992. She had no permission to live or work in this country.

On 1 December 1994, a 33-year-old male was detained by the immigration service for working in breach of his conditions of entry. He had been employed on a full-time basis by the London borough of Hackney since June 1990, most recently as an estate manager for the housing department. *[Interruption.]* I can tell the hon. Gentleman that all his hon. Friends are leaving him, and he is becoming increasingly isolated.

In February 1995, a 36-year-old male was served with a notice of illegal entry. He had entered the United Kingdom using a false British passport. He was employed by the London borough of Hackney as a full-time personnel officer in the chief executive's office. He had been using a false identity, that of a teenage girl. He had been employed using the girl's national insurance number, which gave her true date of birth. He gave a different date of birth to the council, and used the girl's name to obtain employment. These discrepancies went unnoticed. He was removed from the United Kingdom on 20 February this year.

On 26 February 1995, a 24-year-old female was served with a notice of illegal entry. She had entered the United Kingdom on 27 November 1992. She had claimed to be coming for a visit of three days. She concealed the existence of her husband, who was already in the United Kingdom, and obtained employment with the London borough of Hackney as a full-time finance officer.

The list goes on, but I shall abbreviate it. All those cases give clear cause for concern and raise serious questions about the procedures employed by Hackney council in the recruitment of its staff. There are other cases.

The immigration service wrote to the chief executive of Hackney council on 25 January asking for a check to be made on two employees. The chief executive admitted in his reply, dated 13 February 1995, that the two employees had not confirmed in their application forms that they required a work permit to work in the United Kingdom, or that they were prohibited from taking employment by the conditions of their stay here. The two individuals were dismissed before the immigration service was given the opportunity to establish their status in this country, and as yet they have not been found.

The hon. Gentleman has mentioned a list of 600 employees, which he believes was obtained by the immigration service unlawfully. The immigration service received two manuscript lists containing what appeared to be details of persons employed by Hackney council. They were unsolicited. One was received in December 1994, the other in February 1995.

They were not extracts from a computer payroll record, and contained no sign that they had originated from within the council. The immigration service cannot be held responsible for the fact that they contained names almost exclusively of African origin; nor is it for me to comment on the motives of the person or persons who supplied the lists.

The hon. Gentleman has accused the Home Office of refusing to co-operate fully in an investigation to establish whether the Data Protection Act 1988 had been breached. He has also suggested that the information was unlawfully provided to the Home Office by the supporters of Mr. Bernard Crofton, the housing director of Hackney council, who is currently under suspension.

He notes that the associates of Mr. Crofton have now shown themselves in their true colours. In the motion dated 22 June 1995 the hon. Gentleman says that they have shown themselves

"to be barmy, racist and criminal in character".

Mr. Jeremy Corbyn (Islington, North): Will the Minister give way?

Mr. Baker: The hon. Gentleman will forgive me, but I am very short of time. I have many points that I wish to put to the hon. Member for Hackney, South and Shoreditch, and I am sorry that, on this occasion, I cannot give way as I would normally like to do.

I understand that the data protection registrar has been asked to conduct an inquiry into possible breaches of the Data Protection Act. It would therefore be wrong for me to comment in further detail, but the Home Office will, of course, co-operate fully with any such inquiry. What I shall say is that all information alleging breaches of the immigration laws is thoroughly researched, both within the Department and with other agencies, where an abuse of public funds is suspected.

The Government are committed to firm but fair immigration control, and will continue to welcome genuine visitors to our shores. But when overseas nationals abuse the immigration laws, they must expect to be dealt with firmly and returned to their own countries. Those who flout the immigration laws cannot expect to evade investigation simply by the status of their employer or the nature of their employment.

The immigration service receives denunciatory information from many sources. It would be inappropriate to reveal publicly the source of the information. The London borough of Hackney requested an interview with the immigration officer involved in many of the

[Mr. Baker]

investigations that I have outlined today, in order—the hon. Gentleman will confirm this—to ask her from whom or where her information was coming.

The general question of such disclosure is a matter for the Home Office, not for individual immigration officers. For that reason, the Home Office offered to respond to any written inquiries but not to allow individual immigration officers to be interviewed about matters that go beyond their responsibilities. The council has not taken up that offer of co-operation.

The Home Office has never received information from Mr. Crofton. The hon. Gentleman will know that, in 1993, Mr. Crofton established his tenancy audit team, consisting of members recruited from outside the authority, to investigate allegations of widespread corruption in the housing department of Hackney council. The council's own appointed team found evidence that many council properties were inhabited by people who had no right to live in them and who in some cases had no right to be in the United Kingdom.

The team asked the immigration service to co-operate with its investigation into the misuse of council property, which has led to the apprehension of a number of immigration offenders and the return of several properties to the council—properties that it was then able to reallocate to genuine applicants. The immigration service will continue to investigate any breaches of the immigration laws if asked to do so by the tenancy team.

The immigration service has sought the council's co-operation to try to resolve this matter sensibly. It has pointed out the judgment in the Court of Appeal case of the Queen *v.* the Secretary of State for the Environment, ex parte London borough of Tower Hamlets, which concerned the duties of local housing authorities under the homelessness provisions. I draw the hon. Gentleman's attention to that case.

That judgment confirmed that not only was there no bar to local authorities telling the Immigration and Nationality Department if they came across a suspected immigration offender; rather, it was their duty to do so.

Guidance following the judgment issued by the Department of the Environment in February 1994 recommended that local authorities should register a point of contact with the Immigration and Nationality Department for the handling of all inquiries by an authority. Although Hackney council has registered its benefit staff for the purposes of exchanging information on persons claiming housing benefit or council tax benefit, it has yet to register a contact point in accordance with that guidance.

The immigration service has also met council officials to discuss improvements in its recruitment procedures. It can surely only be to the benefit of people who are legally here that those who are not should be readily identifiable if they seek work.

The evidence that I have laid before the House tonight should give the hon. Gentleman cause to cease his bluff and think again. I urge him to retract his baseless allegations. I am satisfied that the immigration service has acted reasonably and with considerable restraint in its dealings with the London borough of Hackney. The council does not appear to have acted in a spirit of true co-operation—

The motion having been made after Ten o'clock, and the debate having continued for half an hour, MADAM DEPUTY SPEAKER *adjourned the House without Question put, pursuant to the Standing Order.*

Adjourned accordingly at Eleven o'clock.

House of Commons

Thursday 13 July 1995

The House met at half-past Two o'clock

PRAYERS

[MADAM SPEAKER *in the Chair*]

PRIVATE BUSINESS

ACCOMMODATION LEVEL CROSSINGS BILL *[Lords]* (*By Order*)

Order for Third Reading read.

To be read the Third time on Wednesday 19 July.

LONDON LOCAL AUTHORITIES (No. 2) BILL *[Lords]* (*By Order*)

Order for consideration, as amended, read.

To be considered on Tuesday 18 July.

CITY OF WESTMINSTER BILL *[Lords]* (*By Order*)

Order read for resuming adjourned debate on Question [26 June].

Debate to be resumed on Wednesday 19 July.

Oral Answers to Questions

TREASURY

Inflation Prospects

1. **Mr. Riddick:** To ask the Chancellor of the Exchequer if he will outline the prospects for inflation. [32468]

11. **Mr. Austin-Walker:** To ask the Chancellor of the Exchequer what he expects the rate of inflation to be at the end of 1995. [32557]

The Chancellor of the Exchequer (Mr. Kenneth Clarke): I expect inflation to increase a little towards the end of 1995, to 3 per cent. in the fourth quarter. That increase reflects the impact of higher import prices, and is expected to be temporary. I expect inflation to fall back during 1996, to 2½ per cent. by the fourth quarter.

Mr. Riddick: Does my right hon. and learned Friend agree that low inflation is a crucial factor in the creation of more wealth, more investment and more jobs? Does not he find absurd the way in which the shadow Chancellor on one hand appears to be for ever calling for lower interest rates but on the other has started to criticise my right hon. and learned Friend for not agreeing with the Governor of the Bank of England, who wants interest rates to increase? Will he assure the House that his inflation policy will be based on sound economics and not soundbites, so beloved by the hon. Gentleman?

Mr. Clarke: I agree with my hon. Friend that the overriding aim of all economic policy is increased prosperity and more secure jobs. It is essential that we deliver low inflation in order to guarantee those and deliver those. We have been more successful on the inflation front in the past two years than at any time in the past 30 years. That has been as a result of the conduct of monetary policy and the determination of the Governor and myself to take no risks with inflation.

The Opposition always used to demand lower interest rates, come what may. Even in the late 1980s, they were demanding lower interest rates when they had to increase. The hon. Member for Dunfermline, East (Mr. Brown) always used to demand lower interest rates on every occasion, but he has stopped doing that for the past six months. As far as I can see, he has no opinion at all about interest rates or inflation that he will share with anyone at the moment.

Mr. Austin-Walker: Today's inflation rates show that the figures have already exceeded the figures that the Chancellor estimated in his Budget speech. The Chancellor of the Exchequer has given several different figures at different times. Would he say what he really anticipates the figure to be? Does the Governor of the Bank of England agree with his optimism about inflation rates and, more importantly, in his estimates has he consulted the First Secretary?

Mr. Clarke: The figures today entirely coincide with the summer forecast, which we debated yesterday, and the answer that I have just given about the likely pattern of inflation. There is absolutely no doubt about the inflation target among anyone who takes it seriously; it is 2½ per cent. or less by the end of this Parliament and through the next Parliament. People try to reinterpret that, but I set the policy. They are my decisions and I repeatedly say plainly on what basis I am setting them all the time. I work with the Governor of the Bank of England, with whom I discussed those decisions, and he and I are determined to achieve the Government's stated inflation target.

Sir Peter Tapsell: May I congratulate my right hon. and learned Friend on the impeccable judgment on interest rates that he has shown so far, especially in resisting the considerable pressures for him to increase interest rates a few weeks ago, just before the American and Japanese rates were lowered, and set off a world bull market in bonds?

Mr. Clarke: I always have the greatest respect for my hon. Friend's advice. That is because he is always constructively but fairly critical when he feels critical and I am grateful for his agreement when he gives it. I believe that the economic evidence supports the decision that I took. I am grateful to know that it has his full support. I do wish that someone on the Opposition Benches had a serious opinion to offer on the subject.

Mr. Malcolm Bruce: Does the Chancellor accept that irresponsible tax cuts would worsen the outlook for inflation? Does he accept the discipline of his own words—that public borrowing is taxation deferred? Does he accept that, if he introduced tax cuts which could be funded only by increased borrowing, they would be bad for inflation and would have to be reversed soon afterwards, perhaps after a general election?

Mr. Clarke: I hope that we are all against irresponsible tax cuts. I am against doing anything that is irresponsible. We will not have tax cuts unless we can afford it. What

we have done so far is to halve the public sector borrowing requirement over the past two years and we have set it on a firm downward course, aiming at our clearly stated intention of achieving balance over the medium term. Tax cuts will come, but only when we can afford them and when it is in the interests of the economy to have tax cuts.

Mr. Darling: Inflation has edged up today. Can the Chancellor explain why it has now emerged that the Central Statistical Office wrongly calculated the rate of inflation over the past few months and understated the rate of inflation? Can he also explain why he insists on maintaining not just one but three different targets for inflation? He used the figure of 2½ per cent. for the City and the figure of 3 per cent., which he said would be a triumph, for a newspaper interview.

In his own hand, the right hon. and learned Gentleman wrote to the Chairman of the Select Committee on the Treasury and Civil Service saying that his target was in the range of 1 per cent. to 4 per cent. most of the time—in other words, not all the time. Is it any wonder that people do not believe him when he says that he has a target? Is it any wonder that people believe that the Government will take risks with inflation if that is what it takes to win the next election?

Mr. Clarke: First, it is true that an error was made in calculating inflation for two months earlier this year. The Central Statistical Office has explained that it was a straightforward error. Someone made an error in the calculation which led to an under-recording by 0.1 percentage points in the months of March and May 1995. The new director insists, in his press release, on accepting personal responsibility for this, although he has been in post for only a fortnight. It was one of those human errors which we all make.

Secondly, I find this level of political debate absurd. One thing that I do in explaining Government policy is to state clearly what the objectives are. The inflation forecast is 2½ per cent. or less. In the same way, the Prime Minister and I made perfectly clear our attitudes towards such things as inheritance tax and capital gains tax. The press is capable of taking any daft half-quotation to claim that what we say is not what we claim to say. These bad habits are extending even to the Chamber and are lowering the Opposition's performance. I could not have been clearer in every statement I have made that the inflation target is 2½ per cent. or less from the end of this Parliament. I set the policy and I am telling the hon. Gentleman what the policy is on which I set other policies.

Mr. Ian Bruce: Will my right hon. and learned Friend resist the calls which come from some people who say that a bit of inflation would be good for negative equity and for house owners? Does he agree that there has never been a better time in the past decade or so for people to buy their first new home? We have low inflation rates which means low interest rates. That makes buying one's own home very affordable and that is the right way in which to get the house market moving again.

Mr. Clarke: I agree strongly with my hon. Friend. If the public feared that we were going back to what would begin as a bit of inflation, which would mean higher interest rates and the old double figure levels, it would be extremely damaging to the housing market. It is the fact that some people still fear that we may do that that is holding back purchasers from the excellent bargains at affordable prices in the market. I hope that the expert opinion of people such as our hon. Friend the Member for East Lindsey (Sir P. Tapsell), with his view about where interest rates are likely to go—at a time when they are well below half the peak that they hit at similar stages in the economic cycle in the past—will have some effect on those contemplating house purchases.

Low Pay and Unemployment

2. **Mr. Robert Ainsworth:** To ask the Chancellor of the Exchequer what is his assessment of the economic impact of low pay and unemployment. [32548]

The Chief Secretary to the Treasury (Mr. William Waldegrave): Low pay and unemployment result from low productivity and inflexible labour markets. Government policies have successfully tackled these problems. Real take-home pay has risen at all levels since 1979 and unemployment has fallen by 661,000 since December 1992.

Mr. Ainsworth: Is it not a fact that low pay is now costing every taxpayer £100 a year? Is that subsidy for bad employers a good use of £2.4 billion of public money? Is it not a fact that without a minimum wage, the good employer is undermined by the bad employer, who is undermined by the worst employer, and that the taxpayer winds up picking up the tab?

Mr. Waldegrave: I am very surprised that the hon. Gentleman should lead with an argument for the minimum wage. One of the most robust Labour politicians I know, the deputy leader of the Labour party, said:

"I knew the consequences of a minimum wage were that there'd be some shake out, any silly fool knew that".

To bring the script up to date, Lord Healey—the only Labour politician I know who is more robust than the deputy leader—said:

"Don't kid yourselves—the minimum wage is something on which unions will build differentials . . . Therefore the minimum wage becomes a floor on which you erect a new tower".

Those are the facts, and the people with courage in the Labour party know that they are the facts.

Mr. Dunn: Can my right hon. Friend inform the House how those on low pay or the unemployed would benefit from the introduction of a minimum wage, given that a minimum wage would destroy jobs and be a nightmare in the labour market?

Mr. Waldegrave: The irony must be that either one sets the minimum wage so low that it does not affect anything, or one moves differentials—unless the trade union movement has completely abandoned virtually everything that it stands for. Common sense tells us that the minimum wage will destroy jobs and that it will not benefit the unemployed one whit.

Mr. Skinner: Is the Minister aware that some of us have a figure for the minimum wage? We have done a comparison of those Tory Members of Parliament who receive £10,000 a year from consultancies that they do not declare in the Register. Some £10,000 a year is £5 an hour and the people in my constituency would settle for that. Unlike the moonlighting Tory Members of Parliament, my constituents want only one job.

Mr. Waldegrave: It is not uncharacteristic for the hon. Gentleman to have the courage of his convictions. He has

put a figure of £5 an hour on the minimum wage. Let us have a figure from the Labour Front Bench. If Labour Members below the Gangway have the courage to give a figure, why will those on the Front Bench not do the same?

Mr. Harry Greenway: Has my right hon. Friend estimated the number of jobs that would be lost if the minimum wage were pitched at the level suggested by the Transport and General Workers Union? Does he not think—*[Interruption.]* The hon. Member for Worsley (Mr. Lewis) should wake up—and so should the hon. Member for Bolsover (Mr. Skinner). Does my right hon. Friend not think that people are most motivated and happiest when they are in work, even if they are not paid £1 million a year for doing the job?

Mr. Waldegrave: The estimates vary, but I have seen an estimate of anything around three quarters of a million jobs. On the basis of the figure advanced from below the Gangway opposite, it would probably be a little higher than that.

Trade Balance

3. **Mrs. Helen Jackson:** To ask the Chancellor of the Exchequer if he will make a statement on the economic impact of the latest balance of trade figures. [32549]

Mr. Waldegrave: Recent growth has been export led. In the year to the first quarter of 1995, exports were 9 per cent., while imports rose by only 0.5 per cent. That means that more than half of the United Kingdom's gross domestic product growth of nearly 4 per cent. is accounted for by net exports.

Mrs. Jackson: Does the Minister not see that our very weak trade position—a £1.4 billion deficit in April—reflects the Government's failure to invest in the economy? Does he not understand that the people in the special steel sector in south Yorkshire want to see a doubling of investment in jobs, skills and technology? How can the Minister justify possibly wasting £4 billion by reducing capital gains tax and inheritance tax rather than investing in our manufacturing base?

Mr. Waldegrave: The country's trade performance is extremely good. It is very much better than most forecasters predicted—including the forecasts that came from the Labour Front Bench in the days when Labour Front Benchers used to give forecasts. The hon. Lady referred to the steel industry. British Steel is one of the best steel companies in the world and it is exporting very strongly. That was not the case when it was nationalised. Any tax changes that may be introduced—when we can afford them—which will help capital markets and the economy will only strengthen that position.

Mr. Spring: Does my right hon. Friend recall that economic recoveries since the war have been blighted time and again by balance of payments crises? Does he agree that the present economic recovery is precisely the opposite, in as much as we are seeing an astonishingly good export performance?

Mr. Waldegrave: It is the first recovery since the war that has been led by exports. It used to be the holy grail that we all sought, and the country can be proud of achieving it. Above all, manufacturing industry, and the invisibles sector too, can be proud of it. If a few years back we had been told that the United Kingdom would, for example, export more televisions and microchips than either France or Germany, as we did last year, people would have thought that we were in cloud cuckoo land. Yet that is what we are now achieving.

Mr. Milburn: Can the Chief Secretary confirm that our weak balance of trade position is a reflection of the Government's failure to secure adequate investment in the economy? Which areas of investment does he propose to cut to finance the abolition of capital gains tax and inheritance tax?

Mr. Waldegrave: The premise of the hon. Gentleman's question is absurd. The trade position is extremely strong. I would like to know why he thinks that, under the Labour party's proposals, which are the same old proposals for directed investment, he would not produce more advanced gas-cooled reactors, more Concordes and more of those pretty catastrophic investment proposals which were produced in the past by that very system.

Investment Level

5. **Mr. Betts:** To ask the Chancellor of the Exchequer what proposals he has to increase the level of investment in the economy. [32551]

The Economic Secretary to the Treasury (Mrs. Angela Knight): Our objectives of low inflation and sound public finances are designed to ensure a stable macroeconomic environment, within which businesses can plan ahead with confidence. Industry is now responding. Manufacturing investment rose by more than 6½ per cent. last year.

Mr. Betts: Given that, between 1979 and 1994, Britain had the worst investment record of any of the G7 or European Union countries, and given that manufacturing investment fell in the first quarter of this year and that total investment is still 10 per cent. below its level prior to the recession, will the Economic Secretary answer the question which the Chief Secretary has failed to answer on two occasions? When resources become available, will the Government use them to assist investment in this country or will they waste them by spending £4 billion of public money on cutting inheritance tax and capital gains tax, which will benefit only a few relatively affluent people and do nothing to improve the underlying capacity of our economy? Will she answer that question?

Mrs. Knight: I find it very difficult to take seriously anything that the hon. Gentleman says about investment, as when he had opportunities and was in charge of Sheffield city council, he wasted £150 million building palaces of leisure for the world student games. That financial millstone has hung around the neck of everybody in that city for a generation. However, he will be pleased to learn that the latest investment figures show a strong pick-up in manufacturing, especially in the north of England.

Sir Timothy Sainsbury: May I first congratulate my hon. Friend on her very well deserved promotion to the Treasury Bench? I am sure that I speak for all Conservative Members in so doing. Does she agree that

most investment, particularly in industrial companies, is funded from retained profits and therefore we should all welcome the increased profitability of British companies?

Mrs. Knight: I thank my right hon. Friend for his kind remarks. I entirely agree with his point. Since company profits are high, companies are managing to retain far more money which they can use for investment, to the benefit of companies and the country.

Mr. Beggs: Does the Minister agree that the availability of a highly skilled, well-qualified work force is always attractive to inward investors? Does she also agree that each right hon. and hon. Member has a duty to encourage teachers, students and those presently unemployed to obtain qualifications and skills in order to attract inward investment and generate wealth-creating jobs from which the whole economy will benefit?

Mrs. Knight: I agree with the hon. Gentleman. Education and training are very important indeed, which is why the Government have given them such a high priority. Since we are attracting so much investment into the United Kingdom, we are obviously doing a very good job in that respect.

Mr. Allason: Does my hon. Friend agree that the best way to improve the level of investment is to reduce bureaucracy, red tape and interference not only by local government and national Government, but by the European Union?

Mrs. Knight: My hon. Friend makes a very fair point. As part of my job, I shall certainly scrutinise European regulations to ensure that they benefit British industry.

Ms Armstrong: While I welcome the Minister to her first Question Time, can she tell us why manufacturing investment fell in the first quarter of this year? Is she confident that she will be able to sort out the fact that total investment is 10 per cent. lower than it was in 1989 before the recession? With all that going on, how does she justify the priority given to getting rid of capital gains tax and inheritance tax?

Mrs. Knight: The hon. Lady has been mixing her figures. I am sure that she will be delighted to learn that there is a strong pick-up in manufacturing investment, which increased by 8¾ per cent. in the first quarter of this year over the same period in 1994. That is an increase, not a reduction. One factor that aids investment in British industry is a strong economic climate. We have one now and will continue to have one.

Correspondence

6. **Mr. Thurnham:** To ask the Chancellor of the Exchequer when he received a reply to his letters of 12 May and 14 June to the right hon. Member for Dunfermline, East (Mr. Brown). [32552]

Mr. Kenneth Clarke: I regret to say that I have received no reply from the hon. Member for Dunfermline, East (Mr. Brown) to my letters to him of 12 May and 14 June. I assume that he is still unable to decide on an inflation target and whether or not he agrees with my decisions on interest rates.

Mr. Thurnham: Does my right hon. and learned Friend agree that Labour cannot answer serious economic questions because it does not have a serious economic policy—only classical exogenous waffle to camouflage the job-destroying minimum wage and social chapter?

Mr. Clarke: I agree that members of the Opposition Front Bench find themselves in a sad position. There cannot be a Member of the House of Commons who has not at some stage expressed an opinion on the movement in interest rates. The markets have since moved, there has been a wide range of financial comment and all the data—including the Bank of England's advice to the Government—are before us. The hon. Member for Dunfermline, East cannot even answer a letter because he cannot make up his mind whether or not he has an opinion.

Mr. Andrew Smith: As the Chancellor is so upset about replies to letters, will he now answer my letter to the Treasury of 23 June, which refuted fraudulent Conservative spending claims? While the right hon. and learned Gentleman is at it, will he account for his evident loss of control over the Prime Minister and his new spending commitment, now amounting to more than £11 billion? Answer that.

Mr. Clarke: At least the hon. Gentleman wrote only on 23 June. I shall certainly let him have a prompt reply based on the experience of having taken £45 billion out of my colleagues' spending plans already, so I must rebuff the hon. Gentleman's claims about spending. As to the repeated theme concerning my right hon. Friend the Prime Minister, I was present when he made his excellent speech confirming his leadership of the party. I was not startled by his remarks, and I checked the text to remind myself why.

My right hon. Friend said of capital gains tax and inheritance tax:

> "My aim is to see these taxes reduced and if possible abolished altogether. I make no promises about when we can do it . . . no certainty that we can do it in the near future. But it should be set down now as a clear objective of any Government that I lead that I wish to see an end to inheritance tax and capital gains tax."

That is, if anything, slightly more cautious in tone than my agreement with the remarks made by my right hon. Friend the Prime Minister yesterday. We have set that long-term objective because we believe in the benefits of low taxation and that one generation should be able to hand on the wealth that it has earned to the next generation.

We believe also that capital gains tax should be re-examined because it can impose damaging effects on investment, particularly in unquoted companies. The Opposition, because they have no policy on anything and cannot answer straight questions on any economic policy, keep inventing fraudulent misquotations to try to make an issue of something else.

Mr. David Shaw: My right hon. and learned Friend surely is aware that a considerable amount of taxpayers' money goes to the Opposition in Short money, so that they can reply to letters from him asking about the Opposition's policies. Should we not examine the value that taxpayers receive for that money? Should we not be getting answers from the Opposition about their policies, so that taxpayers can see and understand them?

Mr. Clarke: I share my hon. Friend's feeling. I can only assume that the Short money all goes to the hon.

Member for Hartlepool (Mr. Mandelson) and the many public relations assistants that he must employ. As we all know, the hon. Member for Hartlepool plays the role in the Opposition that they mythically believe my right hon. Friend the First Secretary will be playing in the Government.

Mr. Gordon Brown: Will the Chancellor now answer the question that he did not answer yesterday? Does he support the principle of abolishing inheritance tax and capital gains tax? Will he confirm that that would cost at least £3 billion? Will he further confirm that the main beneficiaries would be 5,000 people, who would get half the gains from abolishing the two taxes? Will he now tell us who is in charge of the Treasury and of tax policy? Where is the Budget being written—in No. 11 Downing street, No. 10 Downing street or No. 10a Downing street?

Mr. Clarke: If the hon. Gentleman is having difficulty with his correspondence, he could have given me a reply just now when he was on his feet. Let me read again what the Prime Minister said:

"My aim is to see those taxes reduced and if possible abolished altogether. I make no promises about when we can do it."

I said:

"The Prime Minister set out these objectives as a long-term aim for the Conservative party".

I do not see the faintest difference. I remain in charge of economic and taxation policy, with the full support of the Prime Minister. The Government's aim is to achieve low taxation, as and when we can afford it and when it is in the interests of the economy.

The hon. Gentleman seems to think that we have a lot of people in charge of economic policy, but it is clear that absolutely no one in his party is in charge of it.

Mr. Salmond: Is the Chancellor aware of just how desultory and pathetic many of us find the exchanges between him and his shadow? Why cannot we have an economic debate conducted on real economic aggregates, such as employment, productivity and output? Surely that would be better than debates that seem to turn on whether the hon. Member for Dunfermline, East (Mr. Brown) is aware that there needs to be a half-point correction in interest rates so as to meet one of the Chancellor's many inflation targets.

Mr. Clarke: We had a debate on the economy in the House yesterday. Unfortunately the hon. Gentleman seemed to have a prior and pressing engagement elsewhere and was not able to join us. Hardly any nationalists from Scotland or Wales were present from beginning to end, as far as I can recall.

I prefer to talk about the 3 per cent. growth that we are going to achieve this year; about keeping inflation to 2.5 per cent. or less at the end of this Parliament; about the 660,000 people who have come of the unemployment register; about the need to get unemployment down further; and about the need to give this country a modern, industrial economy that will sustain growth throughout the rest of this decade. It is the pathetic nature of the official Opposition and the absence, when we debate the economy, of the Scottish nationalists, that reduce us to the kind of drivel that we have just heard.

Gilts Registration

7. **Mr. French:** To ask the Chancellor of the Exchequer what representations he has received about the registration of gilts. [32553]

Mrs. Angela Knight: Representations about the registration of gilts are rarely received.

Mr. French: I am grateful to my hon. Friend for that answer. Is she aware of the extent to which stock held on central gilts office accounts is exposed to the risk of misregistration and misallocation, whether intentional or otherwise? As the Pensions Bill contains no provisions relating to gilts custody, will she have discussions with the Bank of England to ensure that this real risk is covered?

Mrs. Knight: My hon. Friend asks a specific and detailed question. I assure him that the Pensions Bill regulates fund managers. As my hon. Friend rightly points out, they are involved in the central gilts office; but thousands of gilts are traded each week in that office and so far not even one alleged case of a breach of security has been reported.

Mr. Stevenson: In view of the Chancellor's recent announcement that he intends to limit the scope of taxation on gilts, will the Minister assure us that the Government have no intention of extending, and will not extend, the rate of VAT in a similar spirit? Or does the Minister agree with the Chancellor that far too many goods are still exempt from VAT?

Mrs. Knight: The hon. Gentleman will have to wait until the Budget.

Mr. Clifton-Brown: I congratulate my hon. Friend on her well deserved promotion. She is one of the 1992 intake and, on behalf of that intake, I may say that we are delighted to see her.

Small, prudent savers will certainly welcome the written parliamentary answer on the taxation of gilts given to my hon. Friend the hon. Member for Southport (Mr. Banks), stating that 99 per cent. of small savers will be exempt and that they will have until April 1996 to get their investments in order. That is extremely welcome news to small savers.

Mrs. Knight: I am grateful to my hon. Friend, who makes a good point. We consulted large and small holders of gilts. I believe that the announcement that has been made satisfies everybody.

Privatisation

8. **Mr. Mullin:** To ask the Chancellor of the Exchequer what plans he has for further privatisation; and if he will make a statement. [32554]

The Financial Secretary to the Treasury (Mr. Michael Jack): The Government continue to look for opportunities to transfer public sector businesses to the private sector. For example, we are proceeding with plans

to transfer the operation of British Rail to the private sector and to privatise the major part of the nuclear power generating industry.

Mr. Mullin: It would be wholly irresponsible, would it not, to use the proceeds of the sale of public assets to fund tax cuts for the purpose of purchasing the result of the next general election?

Mr. Jack: I am rather surprised that the hon. Gentleman, who normally deals with these matters in considerable detail, poses a question in that way, because he will know that, since the process of privatisation was begun, what used to cost this country £50 million a week now is now generating income to the Treasury of £55 million a week in terms of receipts from taxes on profits. That is the benefit of privatisation that we support.

Mr. Tim Smith: I congratulate my hon. Friend on his appointment and welcome him to his first Question Time. Does he agree that privatisation has been hugely successful both for taxpayers and for customers, that we should continue to privatise Government services wherever we can, and that we should export the successes of privatisation wherever we can?

Mr. Jack: I am most grateful to my hon. Friend for his kind words. We debated this matter yesterday and have already had an exchange on it. He is right to draw attention to the tremendous opportunity and contribution that the private sector has given to the Government—£455 million of savings have been posted so far. He is also right to attest to this country's great expertise in privatisation. It is good to see that Britain leads the world in that area.

Ms Primarolo: If the Chancellor is still in charge of economic policy, and not the resident of No. 10a or No. 10 Downing street, will the Financial Secretary tell us whether, in principle, he supports the taxing of income from executive share options and whether he will deal with the scandal of taxpayers who are being ripped off under these privatisation processes?

Mr. Jack: Rewards in this area are extremely important. The hon. Lady touches on a subject which as she knows full well, will be dealt with when Sir Richard Greenbury reports. *[Interruption.]* It is not a question of Sir Richard Greenbury or anybody else being in charge. My right hon. Friend the Prime Minister gave a clear indication that he wanted that area to be investigated. He was entirely supported by my right hon. and learned Friend the Chancellor, who has given a robust defence of who is in charge of economic policy. He is and the Government are: the Opposition are not.

Mr. Stephen: Further to my hon. Friend's reply to the hon. Member for Sunderland, South (Mr. Mullin), does my hon. Friend agree that all political parties are in the business of bribing the electorate? The difference is that Opposition Members do it by promising more and more public expenditure, whereas we do it by promising to leave more and more money in the pockets of the people. It will be for the people to make their choice at the next general election.

Mr. Jack: My hon. Friend touches on an interesting area. The only problem with his analysis, if I may take a point of difference with him, is that our economic policies, which are appealing to people, are based on sound fundamentals. We have real numbers to show where we are going; how anybody could be bribed by a blank piece of paper from the Opposition I do not know.

Single European Currency

9. **Mr. Tipping:** To ask the Chancellor of the Exchequer what consideration he has given to the name for a single European currency. [32555]

The Paymaster General (Mr. David Heathcoat-Amory): There is no need for a decision now on the name of a possible future single currency.

Mr. Tipping: Does the Minister recall the Chancellor's recent comment that he was in favour of calling a new single European currency the crown or the shilling? Does that mean that he is now in favour of abolishing the pound? What discussions has he had with the right hon. Member for Wokingham (Mr. Redwood) on that over the past month or so?

Mr. Heathcoat-Amory: My right hon. and learned Friend participates in the technical discussions, but the hon. Gentleman should not be too worried either way about the name, as the important point is that we are not committed to stage 3 of monetary union—unlike the Labour party, which is committed to monetary union and a single currency while at the same time being committed to inflationary policies. That combination would be a recipe for ruin.

Mr. Brooke: In the centenary year of Wilde's greatest play, does the Paymaster General recall the advice of Miss Prism:

"The chapter on the Fall of the Rupee you may omit. It is somewhat too sensational"?

Does he agree that a couple of years of silence on the single European currency would do nobody any harm and might well do the exchange rate some good?

Mr. Heathcoat-Amory: Yes, particularly on the name of a single currency, where no decision is required and no decision is imminent.

Mrs. Anne Campbell: Will the Minister ask the Chancellor of the Exchequer if he still agrees with the principle of European monetary union? If so, does he still agree with his remarks reported in *The Times* in February that the Conservative party has run out of ways of making it clear that there are no divisions?

Mr. Heathcoat-Amory: The policy is absolutely clear and it has been repeated by my right hon. and learned Friend the Chancellor and by my right hon. Friend the Prime Minister both to the House and outside: we are not committed to stage 3 of monetary union. We achieved an opt-out during the Maastricht negotiations. A future Parliament and a future House of Commons will make that choice in the circumstances of the day.

Private Finance Initiative

10. **Mr. Garnier:** To ask the Chancellor of the Exchequer what contribution he expects the private finance initiative to make to the provision of capital for infrastructure projects. [32556]

Mr. Jack: My right hon. and learned Friend the Chancellor of the Exchequer announced in his Budget

speech that contracts leading to £5 billion of capital investment are due to be signed in 1995 under the PFI. He announced a further £1 billion of projects in January.

Mr. Garnier: Will my hon. Friend confirm that the PFI is available across the national infrastructure and is available to every Department of State? Will he comment on the lamentable failure of the Opposition to come to grips with that excellent initiative?

Mr. Jack: My hon. and learned Friend precisely states the situation. The fact that we can post £5 billion-worth of new economic activity at a time when the Opposition are criticising us on investment shows the true effectiveness of our economic policy. I note that, with regard to private finance in the Prison Service, on the one hand the Opposition call for tougher measures on law and order and then announce that in principle they are against private money building new prisons.

Mr. Timms: The Minister will be aware that the Belgian high-speed rail link to the channel tunnel is being built and that the French high-speed rail network has been operating for a number of years, yet in Britain this week fundamental questions have been raised about whether our high-speed rail link to the channel tunnel can be funded. In those circumstances, does the Minister agree that the Government's priority should be investment in infrastructure before the abolition of capital gains tax and inheritance tax?

Mr. Jack: What is fundamental is that the high-speed channel rail link—a project valued at some £2.7 billion—is being actively competed for; the four original bidders are now down to the final two. Private sector companies want to make this investment and they will do so, to the benefit of our transport infrastructure.

Mr. Wilkinson: Does my hon. Friend agree that the crossrail project offers one of the best prospects for private finance and is of particular importance for the regeneration of the economy of London and the south-east? Will he and his colleagues in government do everything possible to facilitate it?

Mr. Jack: My hon. Friend is right to point out how private capital can further develop London's transport infrastructure. I add to his joy on that, because we also have PFI help for 100 extra trains on the Northern line. Again, that is an example of how much-needed public investment in infrastructure has been achieved under this remarkable initiative.

ECOFIN

12. **Mr. Soley:** To ask the Chancellor of the Exchequer when he next expects to attend an ECOFIN meeting; and what subjects are on the agenda. [32558]

Mr. Kenneth Clarke: I attended a European Council of Economic and Finance Ministers meeting on Monday 10 July at which a variety of subjects was discussed. My intention is to attend the next ECOFIN meeting on 18 September. As yet, no firm agenda for this meeting has been agreed.

Mr. Soley: Is it the Government's intention to keep the pound in the European currency fluctuation band even if ECOFIN decides to narrow that band in the next two years?

Mr. Clarke: We have no intention of re-entering the exchange rate mechanism, at least for the duration of this Parliament. *[Interruption.]*

Madam Speaker: Order. This is wasting time. I call Mr. Cash.

Mr. Cash: Will my right hon. and learned Friend confirm that, at the most recent ECOFIN meeting, there was absolutely no question of the United Kingdom submitting to any kind of threats from other member states with regard to the possibility of the creation of a "hard core" in Europe? That would result in their imposing tariff barriers, penalties or sanctions on us, or trying to push us into a second-rate, disastrous exchange rate mechanism.

Mr. Clarke: I can reassure my hon. Friend on all those points. The reports of ECOFIN meetings that I read when I return from them rarely bear much resemblance to what took place. I answer written questions in the House, however, and I suggest that my hon. Friend read those answers if he wants to find out what actually went on. It was reported that, at the last meeting, the French were threatening the imposition of all kinds of penalties on those who were not in the hard core, but I have yet to meet a Frenchman who has ever heard of the suggestion.

Income Tax (Self-assessment)

14. **Mr. Patrick Thompson:** To ask the Chancellor of the Exchequer if he will make a statement on progress on the introduction of self-assessment of income tax liability. [32561]

Mr. Jack: Work is proceeding to the planned timetable for the introduction of self-assessment for personal tax, and the issue of the new tax returns in April 1997.

Mr. Thompson: I thank my hon. Friend and his colleagues for the briefing sessions on self-assessment that they have been giving Members of Parliament. Can he assure businesses and, indeed, individuals that the introduction of self-assessment will not mean added burdens, extra form filling and the like? There are still some worries on that score.

Mr. Jack: One of the key elements of self-assessment is simplification. I assure my hon. Friend that, just as we have sought to inform Members of Parliament, there will be a major information campaign throughout the coming 12 months to inform all sectors of business and all private individuals about the changes.

PRIME MINISTER

Engagements

Q1. **Sir Peter Tapsell:** To ask the Prime Minister if he will list his official engagements for Thursday 13 July. [32458]

The Prime Minister (Mr. John Major): This morning I presided at a meeting of the Cabinet and had meetings with ministerial colleagues and others. In addition to my duties in the House, I shall be having further meetings later today.

Sir Peter Tapsell: May I urge, yet again, the withdrawal of British troops from Bosnia—particularly

because Bismarck's wise advice, quoted yesterday by our right hon. Friend the Member for Shropshire, North (Mr. Biffen), was ignored by his successors, so that eventually the road to Sarajevo was paved with the bones of Pomeranian grenadiers? We do not want that road to be paved with the bones of our young men.

The Prime Minister: I know that my hon. Friend has held a consistent view about the difficulties that we face in Bosnia, and that some others share that view. There can be no certainty about what will happen in the present circumstances, but I hope that I can tell my hon. Friend why I believe that it would be unwise for us to decide to take that action now.

I believe that, if UNPROFOR withdrew, a number of things would be at risk. We would certainly put at risk the peace that remains in central Bosnia, not least because of the presence of British troops; and we might put at risk the hundreds of thousands of lives that have been saved as a result of the presence of United Nations troops.

Let me touch on the wider point on which my hon. Friend also touched. One of the primary reasons why I felt it right to send British troops to the area in the first place, and why I would be reluctant to remove them unless it became imperative to do so, is the danger of a wider Balkan war. That risk exists, and it is for that reason that I felt it right to ask British troops to go to the area in a peacekeeping capacity and try to ensure that such a war did not occur.

I concede to my hon. Friend that the situation is serious. As I have told the House before, circumstances could arise in which it would be impossible for United Nations troops to remain; but until and unless those circumstances arise, I believe that it is right for them to do so, and to contribute to peacekeeping in the way in which they have so far.

Mr. Blair: Will the Prime Minister confirm that his leadership election pledge to abolish inheritance tax and capital gains tax would amount to £3 billion a year, and that almost half that £3 billion would go to just 5,000 people?

The Prime Minister: I understand that the hon. Member for Dunfermline, East (Mr. Brown) has been dancing around with all sorts of fraudulent and distorted quotations. I will make it quite clear to the right hon. Gentleman—as I have done, both publicly and privately, for some time—that when it is appropriate and we can afford to do so—*[Interruption.]* That is what I said. When it is appropriate and we can afford to do so, I wish to abolish both capital gains tax and inheritance tax. I repeat the point for the right hon. Gentleman: I have made that clear and it must wait for when resources allow. I make no apology for that. The distortion of capital gains tax will need to be tackled. Unlike the Labour party, I believe in trying to pass wealth down between generations, whereas it squirms and wriggles whenever we talk of any tax reduction.

Mr. Blair: I might remind the right hon. Gentleman that, during the leadership election, he said that he wanted to do that at the earliest opportunity. I do not know whether No. 11 Downing street or No. 10a has now changed the line, but, in any event, would it not be the most mistaken sense of priority to cut inheritance tax or capital gains tax when we know today that, as a result of Government cuts in spending, we are short of teachers and that classroom sizes are rising? Should not the interests of the many in a decent education for their children come before the Tory obsession with the interests of a privileged few?

The Prime Minister: I am astonished that the right hon. Gentleman thinks that home owners right across the country, increasingly hit by inheritance tax, are a privileged few. They will be interested to hear that they are a privileged few. It is true that they were a privileged few when the Labour Government were in power and many former council home owners, now home owners, would have remained without that privilege had we been left with a Labour Government. The reality is that the people of this country would like to see changes in those taxes and, when it is prudent to do so, we will change them.

Mr. Blair: As a matter of fact, the vast majority of people do not pay inheritance tax or capital gains tax and the right hon. Gentleman did not dispute that more than half the benefit would go to 5,000 people. As for tax, let me remind him that he pledged to cut tax at the last election, that he increased the standard rate of income tax by 7p and that only one tax cut has been introduced since the 1992 election: a cut of VAT on fuel by Opposition Members.

The Prime Minister: The right hon. Gentleman knows very well that he and his colleagues have voted against every tax reduction that we have introduced throughout most of the past 16 years. Even at the suggestion of tax cuts, one sees the instinctive reaction of Opposition Members. They hate the thought of leaving money in people's pockets. They would rather have it themselves to spend for themselves. I have made it clear that it is my ambition to abolish inheritance tax and capital gains tax as and when we can do it. My right hon. and learned Friend the Chancellor of the Exchequer has made that clear, too. It remains our ambition, and we will pursue it.

Mr. Tracey: What message would my right hon. Friend send to the people of Wales, whose Labour Members of Parliament boycotted the House and Welsh Question Time at the beginning of this week? Would he suggest a forfeit for them, because surely their behaviour jeopardises the future representation of the Principality in the House?

The Prime Minister: There is no doubt that those hon. Members' behaviour was juvenile—sufficiently juvenile, no doubt, to qualify for nursery vouchers as soon as we fully introduce the scheme. When the Labour party thinks up ill-judged stunts such as that, it would do well to remember that two of its past five or so leaders have been Englishmen sitting in Welsh seats.

Q2. **Mr. Llwyd:** To ask the Prime Minister if he will list his official engagements for Thursday 13 July. [32459]

The Prime Minister: I refer the hon. Gentleman to the answer I gave some moments ago.

Mr. Llwyd: Following the rather dramatic departure of the Prime Minister's very good friend, the right hon. Member for Wokingham (Mr. Redwood), the right hon. Gentleman has appointed someone to the Welsh Office who, nominally at least, is from the same planet as the rest of us, but in so doing he has appointed the fourth successive Member of Parliament to that office who has no interest at all in Welsh affairs. Has the Prime Minister

not shown that he has no confidence in Welsh Conservative Members of Parliament and is it not really a pathetic reflection on them?

The Prime Minister: I am sorry that the hon. Gentleman chose his question before listening to what might have been asked earlier. He might bear in mind the fact that we are one United Kingdom. It is perfectly proper for a previous leader of the Labour party to be a Welsh Member of Parliament seeking to be Prime Minister of the United Kingdom. It is perfectly proper for two English Members to sit in Welsh seats, one of whom became Prime Minister and one of whom tried to do so. It is only the Welsh nationalists who wish to wrap themselves up in a little country and damage that country and its prospects within the United Kingdom.

Mr. Charles Wardle: If the new directive to abolish internal frontiers is the Commission's response to the action it faces in the European Court for not having dismantled the frontiers under existing treaty law, what credible defence is there for Britain in talk of a veto, or the worthless Luxembourg declaration? If my right hon. Friend means to protect our sovereign borders against unchecked immigration, will he get the treaty amended? If not, he will face the wrath of not just the Euro-sceptics in the House but virtually the entire British electorate.

The Prime Minister: The European Commission has produced three proposals. It made it clear that the proposals must be taken together and must be agreed unanimously. Unless those proposals are agreed, there is no matter upon which the European Court can adjudicate. I can tell my hon. Friend that there must be unanimity and that that will not happen. The United Kingdom will veto the proposals.

Q3. **Mr. Battle:** To ask the Prime Minister if he will list his official engagements for Thursday 13 July. [32460]

The Prime Minister: I refer the hon. Member to the answer I gave some moments ago.

Mr. Battle: Following the leadership election and his new-found determination to stamp his views and authority on the Cabinet, will the Prime Minister now tell us whether he agrees with the proposals of the Nolan committee on sleaze that amounts earned from consultancies by Members of Parliament should be openly declared?

The Prime Minister: I have made it perfectly clear to the House on a number of occasions since the outset that I favour greater transparency. I have made it equally clear that we will wait until we have the Select Committee report before I say any more.

Mr. Sumberg: Will my right hon. Friend join me in condemning tomorrow's rail strike, which will bring massive disruption to the country? Is it not revealing that, when it comes to standing up for the consumer and criticising the trade unions, new Labour remains totally silent?

The Prime Minister: That follows neatly from the previous question. There has been absolute and total silence from the Opposition Front Bench when it comes to looking after the interests of passengers. We have not heard a word about the RMT or ASLEF or about the inconvenience to passengers. All I can say is that it is a good job that one does not go to Australia by train.

Q4. **Ms Corston:** To ask the Prime Minister if he will list his official engagements for Thursday 13 July. [32461]

The Prime Minister: I refer the hon. Member to the answer I gave some moments ago.

Ms Corston: In the light of today's report from school governors that teachers are being sacked and that class sizes are increasing, despite the Prime Minister's repeated assurances that neither of those things would happen, will the right hon. Gentleman now apologise to the British people?

The Prime Minister: The hon. Lady might well acknowledge the increase in resources to education year upon year: it is 50 per cent. up on the level that we inherited some time ago. She might also acknowledge the improved examination performance, improved teaching, improved choice and the improvement in the number of our youngsters going to university. All those things have magically waved by the hon. Lady without her apparently noticing them.

Lady Olga Maitland: Has my right hon. Friend seen the report in today's newspapers, including *The Daily Telegraph*, that 100 terrorists could be released from gaol early? Does he agree that that is totally untrue and that there are no plans to release terrorists early into the community until they have served their full and rightful sentences?

The Prime Minister: The position is as it has always been and as the House knows. There is no question of an amnesty for prisoners in Northern Ireland. There are no political prisoners anywhere in the United Kingdom. We keep remission rates under review. That has been the case and it will remain the case for some time. Remission rates were introduced some time ago and, as I have said, we keep them constantly under review. I do not think that the time is yet right for a change.

Madam Speaker: We now come to Question 5.

Ms Church: Question 6—no, Question 5, Madam Speaker.

Madam Speaker: Yes, Question 5.

Q5. **Ms Church:** To ask the Prime Minister if he will list his official engagements for Thursday 13 July. [32462]

The Prime Minister: Whichever question number it may be, the answer is the same.

Ms Church: Does the Prime Minister agree that external regulation of the insurance market, as desired by both Lloyd's and the Select Committee, would increase the global credibility of the London market? Will he amend the Lloyd's Act 1982 to bring that about?

The Prime Minister: I do not think that I necessarily accept the hon. Lady's premise. It is clear that, because of the difficulties at Lloyd's over the past couple of years, we need to look carefully at the methods of regulation. However, until we have examined them properly, I am not inclined to make any suggestion of a changed regime.

Mr. Rowe: Has my right hon. Friend noticed that the moment the opinion polls give even the illusion that there

might conceivably be a Labour Government some time in the future, the trade unions queue up to threaten the customer and the patient with industrial action? Does not it frighten him as much at it frightens me that new Labour will be as much a pawn in the hands of the trade unions as old Labour used to be?

The Prime Minister: There is no doubt about the pre-emptive obeisance shown by the Labour party on the minimum wage, the social contract and a range of other issues. Of course, we do not have to fight with the trade union movement if we offer it exactly what it wants, when it wants it—and even before it has asked for it.

Defence Equipment

3.31 pm

The Secretary of State for Defence (Mr. Michael Portillo): With permission, Madam Speaker, I should like to make an announcement of two important defence equipment programmes.

In this year's defence White Paper, the Government reaffirmed their commitment to maintaining world-class armed forces to defend our vital national interests in a disordered and turbulent world. To that end, we are continuing our programme of investment in forces and equipment that provide us with enhanced flexibility, combat power and mobility.

The Government have been considering the bids from industry to supply an attack helicopter for the Army to replace the Lynx anti-tank helicopter around the end of this decade. Six companies responded to our invitation to tender—Agusta, offering the A129; Boeing-Sikorsky, with the Comanche; Atlas, with the Rooivalk; Westland helicopters, with a version of the McDonnell Douglas Apache; British Aerospace, with the Eurocopter Tiger; and GEC-Marconi Avionics with the Bell Cobra Venom. All the bids were of high quality, offering capable helicopters. I am grateful for the assistance that each of those companies has offered to us in this competition.

The Ministry of Defence has conducted a competition of the utmost rigour and objectivity, assessing the military capability and cost-effectiveness of each bid in the varied war-fighting scenarios where we might need it. The assessment criteria included operational effectiveness, crew safety, through life costs, technical risk and industrial implications.

I can announce that, subject to the negotiation of satisfactory contract terms, we have decided to buy 67 Westland Apache helicopters with Rolls-Royce engines. They will operate, as required, in support of the Army's two armoured divisions, 24 Airmobile Brigade and the Royal Marines.

This order, with a value of around £2.5 billion, will be warmly welcomed by the armed forces. Apache has demonstrated its value in service with the United States army, and the version that we shall buy is equipped with the new Longbow radar, which will significantly enhance its effectiveness. It will provide the British Army with a world-class capability, a generation ahead of the Lynx helicopter, offering us the right combination of mobility, rapid deployment, reach and firepower. I regard it as vital that those who risk their lives for this country be provided with the helicopter that we believe can destroy the highest number of enemy targets with the least loss of life among our crews.

This decision will bring many jobs in British industry. Westland, Britain's only maker of helicopters, will assemble Apache and manufacture its transmission at Yeovil. Around 180 other UK companies will participate in the programme, including Rolls-Royce, which at its plant in Bristol will manufacture the RTM 322 engine. That modern engine will provide long-term growth potential and commonality with the engines in the Navy's Merlin and the RAF's EH101 helicopter fleets.

There will be significant work for Shorts of Belfast on the Apache's Hellfire anti-armour missile. We are ordering a helicopter built by Westland, powered by Rolls-Royce, and equipped with missiles supplied by Shorts.

In total, British industry will do at least 50 per cent. of the work on the Apaches that we buy. Moreover, Westland's US subcontractors have undertaken to provide additional defence work for British industry, including work on Apaches for supply to the US army, to the full value of the overseas content of the contract. That means that orders worth £2.5 billion will be placed with British companies, of which half will be for work on the British Army helicopter.

We believe that in total the order will sustain some 3,000 jobs a year in our defence industry. In addition, we have negotiated rights for the maintenance and repair of Apache in the UK and will be offering that service to all other Apache users in Europe, with further significant benefits to UK industry.

I have a second announcement. My predecessor, now the Foreign Secretary, announced last year that the "Front Line First" reforms would allow us to proceed with a programme of investment necessary to maintain operational effectiveness within a reduced defence budget. He said that the Government were examining the case for acquiring conventionally armed Tomahawk land attack missiles. Feasibility studies with the US Government and with industry have confirmed that we can operate Tomahawk from Royal Navy nuclear-powered submarines.

Tomahawk's very long range and great accuracy will enable the UK to threaten limited action against selected targets as a means of persuading an aggressor to desist from hostile activity. In today's strategic conditions, it is important to have that capability to carry out precision attacks, minimising the risk to our own forces, as well as to civilians.

We believe that that system will provide a significant addition to our military capability. Today we have formally applied to the US Government to acquire Tomahawk. Subject to the necessary agreements, our aim would be for the system to enter service with the Royal Navy by 1998. Although we are buying an American weapon, we expect over 30 per cent. of the value of the work to be done in Britain.

The Government are committed to ensuring that the British armed forces receive the best possible equipment available. With these announcements they can continue, in the next century, to have the flexibility, mobility and firepower to engage in a range of operations, from war fighting to peacekeeping, with the skill and professionalism that all of us in the House admire.

Dr. David Clark (South Shields): May I welcome the Secretary of State to his new Department? He comes with quite a reputation—a factor which I feel has been reflected in today's announcement.

The Opposition welcome this afternoon's announcement that the Army has finally got the attack helicopter that it wanted, although I would suggest that it will be somewhat disappointed that it is getting a much smaller number than it originally anticipated.

We share the relief of the workers at Westland, Rolls-Royce and Shorts and their subcontractors that they have been successful, and we commiserate with the losers. However, a number of questions are raised by the Secretary of State's announcement, especially as it affects our industrial base.

[Dr. David Clark]

We note that the Secretary of State has brought with him the rigours of Treasury thinking and that the Army is getting fewer helicopters than it and the Ministry of Defence considered the minimum for our effective defence. He will recall that the tender specification was for 91 helicopters, and in the Army debate as recently as 23 February, the then Minister of State for Defence Procurement spoke of "approximately 100". Sixty-seven is not approximately 100. It is nowhere near 100. What has changed? If 100 was necessary for the effective defence of Britain three years ago, why can we settle for 67 now? I press the Secretary of State to say what has changed, or is this further cut another example of his Treasury thinking?

May I also ask the Secretary of State whether any of those helicopters are being adapted to operate from ships? As the Americans would say, are they being "marinised"? Given the possible future scenarios for theatre operations by the Army, that would be a sensible option. Has the Secretary of State taken that into account?

Will the Secretary of State also say a word about the long-range TRIGAT missile system, which would have been part of the Euro Tiger deal? Will he confirm that the taxpayer has already invested £210 million in that venture and that, contractually, British Aerospace will have to pull out of the collaborative scheme now that Tiger is not being ordered by the British forces? What implications do his decisions have for British Aerospace factories at Lostock and Stevenage? Does he anticipate any redundancies?

As the Secretary of State said, all the helicopters met the specifications and I therefore presume that wider industrial and political implications were considered. The Secretary of State's well-known Euro-scepticism clearly meant that the European collaborative Tiger was not in the running. But what assessment has been made of the effect of that order on future European collaboration? Has he examined the implications that buying American in this instance will have for other collaborative ventures? What assessment has he made of the employment prospects for the unsuccessful bidders? Are we likely to see further job losses among our most skilled workers? Will we see further factory closures and a restructuring of the ownership of the British defence industry?

The Secretary of State mentioned offset. What specific guarantees has he obtained? As he knows from his previous experience, there is considerable evidence that, more often than not, those offsets are not delivered, especially in the high-tech field.

We accept that Tomahawk missiles proved to be an incredibly accurate and effective weapon in the Gulf war and that they will enhance our forces' capabilities, but we are disappointed to note that only 30 per cent. of British work is involved and there is no mention of offset. Will the Secretary of State say a little more about that aspect and assure the House that it is not envisaged that those Tomahawk missiles will carry nuclear warheads?

We hope that today's decision will prove to be wise. We hope that, by turning his back on European collaborative ventures, the Secretary of State has not jeopardised further other European collaboration. If we are to retain the skills of our workers and the presence of a defence industry in Britain, not only must we keep pressing for orders in the United States, but we need to work much more with our European partners.

Mr. Portillo: I thank the hon. Member for South Shields (Dr. Clark) for his welcome to me and his welcome, at least in his first sentence or two, of the order and the provision of these important new capabilities for our armed services.

I thought it a bit rich that I was being criticised for announcing a cut. I have announced an order of £2.5 billion for the attack helicopter and made a further important announcement in respect of Tomahawk. I thought it especially ironic and paradoxical that the accusation of a cut in defence spending should come from a party that, at its last conference, was pledged to reduce our defence spending by £6 billion. It makes one wonder how many helicopters could be bought in such a situation.

The hon. Gentleman wants to know why there are 67 helicopters. We are buying a helicopter with an enhanced radar—the Longbow radar. We have subjected it to the most intense scrutiny and we are convinced that it can do the job that we need it to do in those numbers because it has a very good survivability rate. That is one of the main features of the aircraft and it also means that it will save lives among British forces.

It is true that about £200 million has been invested in the long-range third-generation anti-tank guided weapons system, but I do not believe that decisions for the future can be taken on the basis of sunk costs of the past. We must make the decision about the best equipment for our armed forces for the future. We are not considering using it on ships. It will be able to operate with the Marines, but it is basically a land attack helicopter and tanks will be among its most important targets.

I cannot anticipate the consequences at British Aerospace and GEC. They competed very well. There will be many other opportunities for defence orders and I wish them well for the future. What I can say with precision is that today's announcement creates 3,000 jobs in British industry.

On European collaboration, the hon. Gentleman reached the zenith of his absurdity—as if my ideas about Europe, whatever they might be, would have influenced a decision of that magnitude, and during the past week.

Recently, the Dutch decided to buy the Apache. I assume that the hon. Gentleman will not rise in wrath in his place, point the accusing finger at the Government of the Netherlands and accuse them of Euro-scepticism. We have more collaboration with France than with any other single country on defence matters. We continue to have about 30 joint projects with Europe, and I have written to my colleagues in Europe—in France and Germany—assuring them of on-going collaboration in other projects.

We have a guarantee that 50 per cent. of the helicopter will be British work, and we have a promise of offset agreements taking us up to the full 100 per cent.

On the Tomahawk, I believe that the hon. Gentleman will recognise that there is no British or European equivalent that can be bought. In the circumstances, I think that to get 30 per cent. of the work in Britain is a considerable achievement. There will be many opportunities for future collaboration with the United States, and I am pleased to confirm that that is a conventional missile; we have no intention whatever of nuclear-arming that missile.

I am disappointed that the hon. Gentleman did not rise to give a more cheery response to an order that means that our armed forces will be equipped with the very best. Our primary consideration in the House should be the way in which we can enable our troops, our men, our forces, to have the equipment in which they have the greatest confidence when we in the House are potentially asking them to put their lives at risk.

Mr. Michael Colvin (Romsey and Waterside): May I congratulate my right hon. Friend, not only on his appointment, but on making a statement that will certainly earn him cheers in Middle Wallop, where the Army Air Corps is based? It has lobbied hard for that aircraft.

Can my right hon. Friend confirm that the £200 million spent on long-range TRIGAT will not be wasted, because that weapon can be used in armoured vehicles to knock out tanks? Will he tell us what will happen to the Lynx helicopters at present used in an anti-tank role? Will they be converted to light support helicopters to replace the Wessex? Lastly, can he confirm that it will be the Army Air Corps that will fly that aircraft?

Mr. Portillo: On the last point, yes, this helicopter is for the Army to operate. It is, effectively, a flying tank and it seems best that it should be operated by the Army. I reiterate that we also see it being used by the Royal Marines. The Lynx helicopters will be converted to general purpose and reconnaissance use. My hon. Friend is right to say that the fact that the long-range TRIGAT is not being purchased by the Government for this order does not mean that the £200 million has been wasted. In turn, I congratulate my hon. Friend because he has just become Chairman of the Select Committee on Defence.

Mr. Menzies Campbell (Fife, North-East): I welcome the Secretary of State to his new post and I welcome, without qualification, his statement, especially the decision to order the Longbow version of the Apache helicopter. Does the right hon. Gentleman recognise two points of similarity between the two programmes? First, both the Apache and the Tomahawk cruise missiles proved their effectiveness during the Gulf war. Secondly, both bring to the United Kingdom additional flexibility, which is undoubtedly necessary during a time of static defence budgets.

Mr. Portillo: I am pleased to receive the hon. and learned Gentleman's welcome—I am not sure whether it is influenced by the position in Yeovil. The announcement will, indeed, be good news all round. The hon. and learned Gentleman is absolutely right to say that these weapons have recently proved their effectiveness. I made the point in my statement that we are in an era of limited defence budgets. Through the defence costs study, we have been able to find savings in the defence budget, and my predecessor made it clear that that gave us the opportunity to provide flexible, up-to-date equipment for our forces to make them battle-ready and to give them the firepower that they needed.

Dame Peggy Fenner (Medway): My right hon. Friend will understand that, although his announcement may be good news for Yeovil, it is not good news for Medway because we hoped very much that the GEC-Marconi Avionics Cobra Venom would win the battle. It is extremely unusual for the Treasury to spurn the lowest tender, so one must be impressed by the service chiefs who insisted that the Apache was their favourite option.

My right hon. Friend added that the Apache gives 3,000 extra jobs. As I understand it—different companies around the United Kingdom will be affected—the GEC-Marconi Avionics Cobra Venom would have given rather more jobs than that. What considerations meant that the lowest tender was not accepted? I am, of course, impressed by the support for the Apache in the west country, but I believe that it is not quite such a marvellous decision for my workers, who suffered the biggest loss from the peace dividend when they lost 7,000 jobs at Her Majesty's dockyard and naval base.

Mr. Portillo: Nothing could give me greater sorrow than to disappoint my hon. Friend as I have to today. It is, however, inevitable that in a competition in which there are three finalists, approximately two thirds of Members of Parliament may be disappointed by the decision, at least vis-a-vis their own constituencies. I hope none the less that my hon. Friend and others will be able to see the merits of the decision and the high quality of the equipment that we are buying.

The circumstances, conditions and criteria were as laid out in my statement. We were dealing with considerations such as the effectiveness of the aircraft, the cost-effectiveness of the decision, the industrial implications and the industrial risks. That combination of circumstances led to our choice. It would not be helpful at this stage to go into any greater detail about how one bid compared with another, not least because they were all good bids and I hope to see all the contenders doing well in world markets.

Mr. Frank Cook (Stockton, North): May I compliment the Secretary of State on his good fortune in being able to announce to the House, so early in his new-found position, the acquisition of a piece of kit that has an attrition rate, proven in action, that is so low that it is mathematically incalculable? Will all 67 models that we are buying have the Longbow radar rather than the less effective system bought by the Netherlands? When can the military expect the first delivery? How long will the programme take and when will the contract be completed?

Mr. Portillo: I am most grateful to the hon. Gentleman for his warm words of welcome. On his last point, I am not prepared to say more than that we see an entry into service date of the end of the decade. As to his first point, all the helicopters that we are ordering will be equipped with the Longbow radar.

Sir Jim Spicer (Dorset, West): My right hon. Friend has made a very auspicious start in his new office. His announcement today will be warmly welcomed by the many friends of Westland in the House. But it goes beyond that. The friends of Westland are thinking not just about that company, but about the other companies and subcontractors that will also benefit from the order.

Could my right hon. Friend go a little beyond his announcement and say whether it is a good platform from which Westland could take off and move into export orders on a scale that we have not seen previously, with an attack helicopter that will almost certainly dominate all the export orders from this country and from the United States in the next 15 or 20 years?

Mr. Portillo: I am most grateful to my hon. Friend. He is very generous in saying that I have made an auspicious

[Mr. Portillo]

start, but it must be apparent to him and to the House that I have inherited a huge amount of work done by my predecessor.

I am very pleased for Westland. My right hon. Friend the Minister with responsibility for industry and energy visited Westland this morning and presumably he was extremely upset that he was unable to give any hint about the good news. I hope that export opportunities will be created. There is obviously a huge advantage in being linked with a very successful United States programme that already has a very large order book.

Mr. Paddy Ashdown (Yeovil): I am very grateful to the right hon. Gentleman. As the hon. Member for Dorset, West (Sir J. Spicer) said, it is his first substantive decision in his new post. If the rest of the decisions that he takes in that post show an equivalent wisdom, I am sure that the nation's defences will have nothing to worry about.

The right hon. Gentleman will understand that my constituents warmly welcome his announcement and, as the hon. Member for Dorset, West said, so will many others across Britain, because the built-in content of the helicopters will provide a boost to British industry across the spectrum. Perhaps one of the most significant features of the decision is the fact that, during a time when everyone recognises that the world helicopter market will change substantially, it places Westland and British industry in a very good position to be able to take advantage of that period of change from a position of strength. That is a considerable testimony to the strength and the skill of Westland and its work force. As I am sure the right hon. Gentleman will agree, it also puts Westland in a very good position in the long term.

Mr. Portillo: I thank the right hon. Gentleman very warmly. I quiver under the gusts of his praise. I am not sure that I aspire to be always so popular with him, but I am very pleased to be so today.

Westland is well placed. If the right hon. Gentleman will be so generous as to share the day with Rolls-Royce, I think that the larger Rolls-Royce engines offer an opportunity for expansion and development of the model over time. That engine has greater flexibility to take us into the future.

Mr. James Couchman (Gillingham): My right hon. Friend will understand that, like my hon. Friend the Member for Medway (Dame P. Fenner), I am disappointed by the result of the competition. GEC has produced a leading-edge technology avionics cockpit. Has my right hon. Friend investigated the possibility of persuading Westland that GEC might make a contribution to the order? Can he confirm whether the fact that we are ordering 67 rather than 91 helicopters is a measure of how much more expensive the Apache was compared with the other two contenders?

Mr. Portillo: There is always great disappointment among those who are not successful in a bid, but I do not think that it benefits anyone to start knocking one model or another. We established a series of criteria and we judged the helicopters on that basis. One criterion was cost-effectiveness. We are able to do the job with the 67 Apaches, as I announced to the House today. I do not want to engage in any sort of banter about the prices of the different helicopters or their performance capabilities, other than to say that it was a fair and objective competition and that there has been a winner.

We have been able to negotiate a 50 per cent. UK content in this helicopter deal. I do not at the moment envisage other opportunities, but of course I would be very happy indeed if different British companies were able to collaborate and if there were any way of increasing, in this or in future orders, the quantity of UK content.

Rev. Martin Smyth (Belfast, South): I welcome the Secretary of State's new appointment. Some of us have been concerned about a fair bit of what we called cowboy advertising, so we are delighted that the Apache has been selected. The decision encourages industry all over. Specifically, on behalf of the people not only in Belfast but in Northern Ireland, I welcome the fact that Shorts will have a part to play. Does the Minister agree that there is also international co-operation, since Bombardier in Canada, Thomsons in France and Shorts in Belfast are all joining the team?

Mr. Portillo: I am most grateful to the hon. Gentleman. His point is perfectly valid. Nowadays there is international collaboration in almost any defence contract one cares to mention. Certainly, it is very good news that Shorts will play such an important part in the production of the Hellfire missiles.

Sir Peter Emery (Honiton): Does my right hon. Friend accept the unmitigated praise of people in the west country, not only because of our constituents who will work on the contract, but because it meets the Army's demand? Will he answer two questions? Is it a fixed-price contract, or will there be any escalation of cost in later deliveries above that announced? Further to other questions, will he ensure co-operation between his Department, Westland and the Department of Trade and Industry, to do everything to maximise the export potential of this aircraft? It seems that, as long as such co-operation can be brought about, there is a very good chance of obtaining overseas orders that we have never achieved before.

Mr. Portillo: I thank my right hon. Friend. Certainly, on his last point, I give him an absolute reassurance that we shall collaborate to maximise export potential, as on all defence issues and products. We have not yet signed the contracts, of course, but it is my intention that they should be most rigorous. The propositions put forward during the bidding process should be confirmed and cemented in the contracts to be signed.

Mr. John Wilkinson (Ruislip-Northwood): May I also most warmly congratulate my right hon. Friend? He has fulfilled two crucial criteria: the operational and the industrial. On the operational side, has he not bought the aeroplane that best met the Army's requirements on payload, range, survivability and all-weather operation? In the industrial context, will he not greatly bolster the long-term future of GKN Westland, in as much as the last aeroplane, the EH101, was an Italian-British collaboration, but the Apache balances that co-operation with an American dimension—the McDonnell Douglas—and furthermore a French dimension, since a significant part of the power plant, the RTM 322, is built at Pau in the south of France?

Mr. Portillo: My hon. Friend has made some helpful additional points. He is absolutely right to say that the Rolls-Royce engine has a large French component. Perhaps I should have been quicker on my feet and mentioned that when I was replying to the hon. Member for South Shields (Dr. Clark). It is worth emphasising—I mentioned it in the statement—that Westland is this country's only helicopter maker and the deal is a very important buttress to its position. Certainly, my hon. Friend can be assured that the operational needs of the helicopter were very high in our minds indeed. As I have said before to the House, we are asking people to risk their lives and it is important that the equipment should be able to do the job and that they should have absolute confidence in it.

Sir John Cope (Northavon): My right hon. Friend's decision was bound to please some and disappoint others. In my constituency, there will be great disappointment at British Aerospace on the dynamic side because the long-range TRIGAT was not chosen, but on the other hand there will be great pleasure at Rolls-Royce at the choice of engines. The Anglo-French engine is a very good example of European co-operation, which my right hon. Friend has backed. Will he do his best to try to ensure that the Dutch also choose that engine for their Apache helicopters?

Mr. Portillo: As to my right hon. Friend's last point, I am unsighted as to the stage that the Dutch have reached in making their decision, but it is certainly a good engine. We are buying it partly because we believe that it is suitable for the helicopter and partly because of the commonality that it offers. As to my right hon. Friend's dilemma, in that some of his constituents find themselves happy this evening and some disappointed, I wish him all good luck on his interviews with the local media tonight, but I am sure that he is up to the task.

Sir Kenneth Carlisle (Lincoln): Does my right hon. Friend accept that although we need a reliable attack helicopter, he has made a wrong and strange decision in respect of the engine? The T700 is fitted to existing Apaches and has proved reliable and cheaper. The Americans have it on their attack helicopter, and the Dutch have chosen it for their helicopter. With a fighting machine, one wants something that is proven, can protect lives and has a reliable history. That is certainly not true of the Rolls-Royce engine. The T700, which has as much UK content as the Rolls-Royce engine, is also wanted by the Army. Will my right hon. Friend confirm that the Army requested the T700 engine?

Mr. Portillo: I am sorry that my hon. Friend thinks that my decision is wrong and strange. I do not think that it is, although it may be disappointing from my hon. Friend's point of view. As many other hon. Members said, for them my decision is most welcome. My hon. Friend exaggerates when he says that the Rolls-Royce engine is not proven, because clearly it is. It is flying today and available on the EH101 and the Merlin, but it has not yet been used on the Apache. It obviously offers the possibility on the Apache of future growth.

I hope that my hon. Friend, on reflection, will not feel that my decision is as he said. I make it perfectly clear to him that the decision taken today was more broadly based than consideration of the Army. The unit that we established in the Ministry of Defence to conduct the competition took into account the full range of criteria mentioned in my statement, which went beyond some of the criteria of direct concern to the Army—such as the industrial implications. The decision was taken on the basis of the full range of criteria, including the choice of engine.

Several hon. Members *rose—*

Madam Speaker: Order. I am anxious to call a number of Back Benchers who are still trying to catch my eye, but I cannot do so if there are long statements by Back Benchers and from the Dispatch Box. I hope that questions and answers will be brief.

Mr. Mark Robinson (Somerton and Frome): I join hon. Members who welcome my right hon. Friend's decision, which is good news for Somerset and the west country, and a good confidence booster for Westland, which now has important work to do in export markets as well as in the domestic market. With reference to the comments of the hon. Member for South Shields (Dr. Clark), one always knows good news—

Madam Speaker: Order. The hon. Gentleman is the first to offend. I asked for questions, not statements. If the hon. Gentleman has a question, let me hear it. I am not prepared to listen to further statements by any other Back Benchers. Does the hon. Gentleman have a question?

Mr. Robinson: Yes, Madam Speaker. My question is, is not my right hon. Friend's statement good news in our export markets?

Mr. Portillo: It is good news. I am pleased that my hon. Friend is pleased, and I value his support.

Sir Jerry Wiggin (Weston-super-Mare): Will my right hon. Friend acknowledge that the absence of a purpose-built attack helicopter has been a serious deficiency in the British armed forces for some time and that one important aspect of his announcement is the rectifying of that problem? As I represent a constituency in which Westland is the largest employer, I need hardly say that I welcome my right hon. Friend's announcement, but will he condemn some of the irrelevant and misleading advertising that accompanied the contract and deplore it for the future?

Mr. Dennis Skinner (Bolsover): Is it in order for him to ask his own question?

Madam Speaker: Order. It is not in order to answer one's own questions.

Mr. Portillo: This is certainly an important capability, which our armed forces must have. Any deficiency that there has been is to be dealt with by my announcement today. I do not want to get into battles with any contractor over this matter. We have had a fair competition and a fair result.

Mr. Keith Mans (Wyre): My right hon. Friend will not be surprised to learn that his decision will come as a shock and a disappointment to those of us from the north-west of England, as he has picked the wrong helicopter with the wrong engine. Can he confirm that all the Apaches will be equipped with Longbow? Will he tell the House the extra costs of fitting the Rolls-Royce engine to the

[Mr. Keith Mans]

Apache, because it has not flown with it before? Will British companies be involved in the production of the long-range TRIGAT?

Mr. Portillo: Our commitment on the TRIGAT was to the end of the development phase: that remains the position. We cease our involvement at the end of that phase. I am sorry that my hon. Friend thinks this the wrong decision. I can confirm again that the helicopters will be equipped with Longbow. There is a small additional cost, which I am not at liberty to reveal, for the Rolls-Royce engine. Nevertheless, the decision passed the test of cost-effectiveness.

Sir Alan Haselhurst (Saffron Walden): On the basis that we must look to the future rather than the past, does my right hon. Friend agree that there must be some further consolidation of British resource in helicopter manufacture if we are to maintain the research and development capability that will enable us meaningfully to participate in future projects?

Mr. Portillo: Those matters go beyond my remit, but perhaps into the remit of the President of the Board of Trade. Certainly, a decision to award a £2.5 billion contract in itself has a fairly important formative effect on the industry.

Mr. Richard Tracey (Surbiton): My right hon. Friend will understand that, in a collaborative venture such as this, the likes of Westland, Rolls-Royce and Shorts will inevitably hit the spotlight; but he should know that the many other companies that he mentioned will also greatly welcome the success of the contract. I am thinking particularly of Racal Defence in Chessington, in my constituency, and in New Malden. Will my right hon. Friend ensure by means of publicity that all the towns and cities affected by the contract in the form of new jobs are told the facts about it?

Mr. Portillo: My hon. Friend makes an important point. We estimate that 180 companies will benefit from this order, spread throughout the length and breadth of the United Kingdom. Some of them may even be in the constituencies of hon. Members who today have sounded disappointed.

Mr. Henry Bellingham (Norfolk, North-West): Is my right hon. Friend aware that this decision will go down particularly well in East Anglia, where the Airmobile Brigade is based and where it is shortly to have a new training facility at the former RAF Sculthorpe? As the brigade prepares to go to Bosnia, does he agree that today's decision will do a great deal for its morale?

Mr. Portillo: I thank my hon. Friend. I believe that the decision will indeed be good for morale. It is important that our troops should know that they will get the equipment that they need and that the defence cost studies translate into better equipment for the future.

Mr. Edward Garnier (Harborough): May I, as a recent visitor to 24 Airmobile Brigade in Colchester, confirm what my hon. Friend the Member for Norfolk, North-West (Mr. Bellingham) has just said—that the order just announced will be widely welcomed in military circles? May I also urge my right hon. Friend and the new Minister of State for Defence Procurement—I congratulate them both on their new appointments—whenever there is an opportunity to place large orders of this sort, to keep the British element in the components package well to the fore? If, for example, he is thinking of buying new heavy trailers for tanks, he should think hard about King Trailers in Market Harborough.

Mr. Portillo: I congratulate my hon. and learned Friend on getting in an early bid for a future announcement. I also echo what he said about 24 Airmobile Brigade. As this is my first opportunity to say so as Defence Secretary, I send that brigade my best wishes on its deployment.

Lady Olga Maitland (Sutton and Cheam): I welcome the fact that 3,000 new jobs are likely to result from the decision to buy the Apache helicopter, but will my right hon. Friend tell us how many jobs could have been created by the alternative bids?

Mr. Portillo: I am not prepared to get into that discussion this afternoon, if my hon. Friend will forgive me. The decision has been taken on a whole range of criteria, including the effectiveness of the aircraft, the cost-effectiveness of the aircraft, its performance in the battlefield and its implications for industry. It has been on the balance of those considerations that today's decision has been taken. I put it to my hon. Friend that if I started to unpick one element of that, I would have to start talking about the comparison across the range of how one helicopter performed against another. I am just not at liberty to do that.

Mr. Alan Howarth (Stratford-on-Avon): As my right hon. Friend has shown today, his first concern must be to ensure that our armed forces are properly equipped and supported, to enable them to fulfil their necessary task of defending Britain and our interests. Will he as Secretary of State for Defence think anew and deeply about the economic, strategic and ethical distortions that arise from Britain's excessive dependence on arms manufacture and exports?

Mr. Portillo: I am bound to say to my hon. Friend that my view of the world is different from his. I do not believe it to be disproportionate. I believe that we are involved in equipping our own forces, and in the process we very often produce products of great use to other countries, and other countries have the right to defend themselves, as well as the United Kingdom.

Business of the House

4.15 pm

Mrs. Ann Taylor (Dewsbury): Will the Leader of the House state the business for next week?

The Lord President of the Council and Leader of the House of Commons (Mr. Tony Newton): The business for next week will be as follows:

MONDAY 17 JULY—Proceedings on the Appropriation Bill.

Consideration of Lords amendments to the Licensing (Sunday Hours) Bill.

Consideration of any Lords amendments that may be received to the Child Support Bill.

Consideration of any Lords amendments to the Criminal Appeal Bill.

Motion on the Local Government Elections (Changes to the Franchise and Qualification of Members) Regulations.

Motions relating to the Housing Benefit (General) Amendment regulations and the Social Security (Income Support and Claims and Payments) Amendment Regulations.

Motion on Parliamentary Pensions.

TUESDAY 18 JULY—Motion on the Special Grant Report (No. 15) (Metropolitan Railway Grant 1995-96).

Motions on the Fishing Vessels (Safety Improvements) (Grants) Scheme and the Fishing Vessel (Decommissioning) Scheme.

Motion on the Appropriation (No. 2) (Northern Ireland) Order.

The House will also wish to know that European Standing Committees will meet at 10.30 am on Tuesday 18 July.

[Tuesday 18 July:

European Standing Committee A—Relevant European Community document: 7514/95, Financial Assistance for the Environment. Relevant European Legislation Report: HC 70-xxi (1994-95).

European Standing Committee B—Relevant Community Document: 4966/95, Relations with Mexico. Relevant European Legislation Committee Report: HC 60-xi (1994-95)]

WEDNESDAY 19 JULY—Until 2.30 pm, there will be debates on the motion for the Adjournment of the House, the first of which will be the three-hour debate on matters to be considered before the forthcoming Adjournment.

Until about 7 o'clock, debate on the First Report of the Select Committee on Standards in Public Life.

Debate on sport on a motion for the Adjournment of the House.

The House may be asked to consider any Lords messages that may be received.

As the House may by now have realised, it is proposed that, subject to the progress of business, I intend that the House should rise for the summer Adjournment on Wednesday 19 July. The House may also like to know that I propose that the House should resume on Monday 16 October.

The provisional businesses for the first week back after the summer Adjournment will be as follows:

MONDAY 16 OCTOBER—There will be a debate on a Government motion to approve the Defence Estimates 1995 (CM 2800).

TUESDAY 17 OCTOBER—There will be a debate on a Government motion to approve the Defence Estimates 1995 (CM 2800).

WEDNESDAY 18 OCTOBER—Opposition Day (18th Allotted Day). There will be a debate on an Opposition motion. Subject to be announced.

European Standing Committee B will meet at 10.30 am on Wednesday 18 October.

[Wednesday 18 October:

European Standing Committee B—Relevant European Community document: COM (95) 73, Relations with Japan. Relevant European Legislation Committee Report: HC 70-xiv.]

THURSDAY 19 OCTOBER—Opposition Day (2nd Allotted Day—2nd Part). Until about 7 o'clock there will be a debate on an Opposition motion. Subject to be announced. Followed by a debate on motion for the Adjournment of the House.

FRIDAY 20 OCTOBER—Debate on a science and technology policy on a motion for the Adjournment of the House.

Mrs. Taylor: I thank the Leader of the House for his statement.

The right hon. Gentleman will be aware that the Select Committee on Procedure is to report on several issues next week. Will he ensure that there is a debate in Government time on one aspect of its report, the Jopling changes, which have been introduced on an experimental basis this year? When we have such a debate, is it the right hon. Gentleman's intention to provide an opportunity for the House to reach a decision about continuing the new procedures with which we have been experimenting this year?

Secondly, is any change to be made in the scope of Question Time to the Chancellor of the Duchy of Lancaster? Is it true that the Deputy Prime Minister and First Secretary of State will be answering questions to the Chancellor of the Duchy of Lancaster? If such changes are to go ahead, as we have heard indirectly, will the time allowed for such questions be lengthened in any way from the 20 minutes on a Monday, as I am sure that the Deputy Prime Minister will not be able to say all that he wishes in just 20 minutes?

Thirdly, as the Prime Minister and others have refused to take action on the abuses of executive pay and share options and have refused to comment on what action might be needed until the Greenbury report is published, and as we hear almost daily of ever higher salaries and ever bigger profits from share options, will the Leader of the House ensure that, when the Greenbury report is published, any statement by the Prime Minister or other Ministers is made to the House, so that Ministers can be directly questioned about the need for real action to curb those excesses, which are so offensive to our constituents?

Finally, should we not have a statement before the recess or even a debate in Government time on the implications for the comprehensive nuclear test ban treaty of the French nuclear testing in the Pacific—activities

[Mrs. Taylor]

which the Opposition consider to be completely unwarranted and which could jeopardise progress on the test ban treaty?

Mr. Newton: It will not surprise the hon. Lady to know that on the last point I have nothing to add to what my right hon. Friend the Prime Minister said on Tuesday.

With regard to executive pay, the hon. Lady will know that there is widespread expectation that the Greenbury committee will produce its report in the relatively near future, and I shall of course bear in mind the points that she has made.

With regard to how Question Time will be arranged, no definite decisions have yet been taken and I would envisage further discussion within the usual channels before any such decisions are taken.

Lastly, the hon. Lady is right to anticipate a report from the Procedure Committee on the Jopling reforms and their working in the first year. Again, I would not want to take decisions on that—the hon. Lady might be quite cross with me if I did—before even seeing the report, let alone having chance to discuss it with her. The hon. Lady well knows, however, that I am sympathetic to maintaining the reformed procedures, which have worked well.

Mr. Warren Hawksley (Halesowen and Stourbridge): Will the Leader of the House try to arrange for the Secretary of State for Transport to make a statement next week on the future of Birmingham airport? The need is urgent because the Labour councillors, who have refused to date even to consider offers from West Midland Travel, the Richardson Brothers or other companies in the west midlands, are likely in the next fortnight to enter into a cosy arrangement with an American company to buy a 51 per cent. holding in that airport at less than the best price which could be obtained in the marketplace. It is important that we either debate the matter on the Floor of the House or have a statement from the Secretary of State for Transport.

Mr. Newton: For reasons that my hon. Friend will understand, it would be rash for me to make a promise from the Dispatch Box this afternoon of either a statement or a debate, but I have already mentioned the three-hour pre-recess debate on Wednesday morning. If my hon. Friend cares to raise the matter with me, I will try to ensure that I have some useful information to communicate to him.

Mr. Don Foster (Bath): I, too, thank the Leader of the House for his statement.

Following the Government's defeat yesterday in the Statutory Instruments Committee on the draft broadcasting orders, will the right hon. Gentleman tell us when he expects those orders to be debated on the Floor of the House?

Will the Leader of the House also give an assurance that, if a major change in the disposition of British troops in Bosnia is likely, the House will be recalled during the summer recess?

Finally, is the right hon. Gentleman aware of the growing concern which has followed the announcement by the Secretary of State for Employment and Education about nursery vouchers, and the considerable confusion which now exists about the value that those vouchers will have for redemption purposes? Is it possible for the Secretary of State to write to hon. Members during the recess and for a debate to take place during the spillover period?

Mr. Newton: I do not anticipate a debate about the broadcasting orders on the Floor of the House, but I will certainly give the hon. Gentleman such information as I can when I have had a chance to make further inquiries. As for Bosnia, I have made it clear to hon. Members on both sides of the House for a long time that, if events develop in a way which seems to call for a statement, a statement will be made. It can fairly be said that such statements have been made at appropriate times, including one yesterday.

I have the impression that the plans for nursery vouchers have been widely welcomed, but there is more detailed work to be done. That is the purpose of the current consultation.

Mr. Peter Luff (Worcester): May I endorse the call by the hon. Member for Dewsbury (Mrs. Taylor) for a debate on procedure? Such a debate would enable Conservative Members to explain to the Liberals the rights that they enjoy under the rules of the House to protect the interests of their constituents. Twice this week, Liberal party spokesmen have failed to understand what they can do for their constituents. On one occasion they thought that they could not speak during a debate that they had initiated; on another, they wrongly thought that their speaking time had been limited to 10 minutes. Such debate would provide a valuable opportunity to teach Liberals how to protect their constituents.

Mr. Newton: Given what I have heard, that is rather a good point. I must say that the usual channels on the Government side thought it rather strange that they should, in the end, have to assist the Liberals to keep their own debate going.

Mr. D. N. Campbell-Savours (Workington): Why is next week's debate on Nolan to last for a maximum of three and a half hours? Will not Government statements, speeches by Privy Councillors, amendments moved by individual Members and Front-Bench speeches completely wipe out any Back-Bench contributions? That is not Parliament speaking: it is a rigged debate. Why can we not have more time to deal with the matter?

Mr. Newton: I can only say that the arrangements that I have in mind have been the subject of discussion through the usual channels, and that I believe that they are for the convenience of the House. That is not to say that everyone will necessarily support them, but almost nothing in this place is supported by everyone.

Mr. Roy Thomason (Bromsgrove): Will my right hon. Friend arrange time for a debate on Hackney borough council in the near future, so that the Opposition Front Bench can dissociate itself from that council's actions and from the deplorable attacks on one of its officers and on civil servants that were made in the House yesterday?

Mr. Newton: As it happens, I have been given an account of some of the things that have happened in Hackney, which certainly do not make very happy reading. They include the suspension of the council's director of housing after he had complained that some of his staff were illegal immigrants involved in fraud. I am

sure that my right hon. Friend the Secretary of State for the Environment will bear my hon. Friend's comments in mind.

Mr. Alan Simpson (Nottingham, South): May I draw the right hon. Gentleman's attention to early-day motion 383?

[*That this House welcomes the introduction of the Energy Saving Materials (Limitation of VAT) Bill by a cross-party group of honourable Members on 11th January; notes that the Bill will reduce the level of VAT payable on energy saving materials to 8 per cent. and that this is the same amount of VAT payable on fuel bills; agrees with the view of the former Chancellor of the Exchequer, the Right honourable Member for Kingston-upon-Thames, that a higher level of VAT on energy saving than that existing on energy use 'makes a nonsense of any attempt to use the tax system to improve the environment'; and hopes that the House will find the time to enable the Bill to become law.*]

The motion relates to a Bill that I submitted, which proposed a reduction in VAT on energy-saving materials. Will the Leader of the House note that it now has the support of more than half the House? Will he accordingly arrange a debate next week, in Government time, so that we can debate the matter and my Bill can become law, and can receive the support of the House as well as that of the country as a whole?

Mr. Newton: I think that the answer to that is that it was a nice try. I see that the hon. Gentleman considers that fair comment. As he knows, his private Member's Bill is due to have its Second Reading on Friday and its fate is a matter for the House to decide.

Mr. John Marshall (Hendon, South): May I join my hon. Friend the Member for Bromsgrove (Mr. Thomason) in asking for a debate on Hackney council, which is rapidly becoming known as the Monklands of the south? Apart from acting as a haven for illegal immigrants who are employed there, it has a deplorable record, with a large number of empty council houses and large rent arrears.

Mr. Newton: My hon. Friend will have heard me say that, on the accounts that I have, the story does not look like a happy one. He may wish to raise it further with my right hon. Friend the Secretary of State for the Environment at Question Time next Wednesday.

Ms Angela Eagle (Wallasey): May I, too, ask the Leader of the House whether it is possible to have a longer debate on the Nolan proposals next week? As a Back Bencher and a relatively new Member of the House, I stand little chance of getting into a debate of the length proposed. In the last Nolan debate, only two new Back Benchers got into the entire debate—I was one of them—although the proposals affect new Members perhaps more than some of the Privy Councillors, who may be leaving us and retiring at the next election. These matters are important for the reputation of Parliament and we need time for a proper debate about them, not a quick run around the houses in two and a half hours. Will the right hon. Gentleman please reconsider, especially as this Session is ending so early in July and there would definitely be extra days, when we could take time to debate those serious and important issues?

Mr. Newton: I cannot add to what I said earlier, although obviously I take note of the hon. Lady's representations, in line with those from the hon. Member for Workington (Mr. Campbell-Savours).

Lady Olga Maitland (Sutton and Cheam): Will my right hon. Friend consider a debate on Islington council, which has been described in a leader in *The Times* as a "rotten borough"? Is he aware of the strength of the White report into Islington social services, investigating dreadful stories of child abuse, prostitution, drug taking and paedophilia? Does he agree that it is right that the Labour party should come to the House and explain how it came to give that rotten borough so much support?

Mr. Newton: There are an awful lot of questions that I should quite like Labour Members to come forward with answers on, but that has continued to be a triumph of hope over experience and I dare say that it will remain so in relation to Islington.

Mr. Mike O'Brien (Warwickshire, North): May we have an urgent statement from the Attorney-General on the serious allegations made to the Select Committee on the Treasury and Civil Service by senior Queen's Counsel that during the Roger Levitt case the Serious Fraud Office and its counsel provided information to the Attorney-General which caused him to mislead the House on relevant and material matters? In relation to that matter, should we not have an urgent statement and a judicial inquiry into the circumstances?

Mr. Newton: The hon. Gentleman will not expect me to accept what he says, but I will of course draw it to the attention of my right hon. and learned Friend the Attorney-General.

Mr. Dennis Skinner (Bolsover): May we have a debate on the different standards applying to Members of Parliament and to the people who provide the goods and services here in the restaurants and other such places, and on the contrast between the 88 days' holiday that Members of Parliament will be getting and the vile treatment handed out this week to some of the waiters and others who work in the Tea Rooms and elsewhere, who have been told that they must sign a fresh contract involving lower wages and worse conditions, and that if they do not sign it they will get the sack? One of the proposals by the Select Committee on Catering is to get rid of those workers' staff room and to provide a wine bar. Will the Leader of the House withdraw those proposals and ensure that proper negotiations continue?

Mr. Newton: There are two or three points there. First, the hon. Member for Workington (Mr. Campbell-Savours) was dying to answer the point about holidays. I think that I will leave Bolsover to Workington for that purpose. On the other points, the hon. Member for Bolsover (Mr. Skinner) will be well aware that those matters are for the Catering Committee, but I draw his attention to the fact that large-scale proposals exist for improving the catering facilities, not least in the interests of the staff. *[Interruption.]* I do not think that I will bother to go on as the hon. Members for Workington and for Bolsover are having their own wrangle on the other side of the House.

Mr. Paul Flynn (Newport, West): When can we have a full debate on a subject raised this afternoon in a telephone call to my office—*[Interruption.]*

Madam Speaker: Order. If there is to be an argument between the hon. Members for Workington

[Madam Speaker]

(Mr. Campbell-Savours) and for Bolsover (Mr. Skinner), perhaps they would have it outside. We all know what they are arguing about and most of us disagree with Mr. Skinner on the point in question.

Mr. Flynn: When can we have a full debate on the subject raised with my office by an elderly man two hours ago? He said that he gave his sick wife, who is suffering from multiple sclerosis, a new medicine which led to her having her best night's sleep for 30 years. In the eyes of the Government, that man and his wife are criminals who could be fined £2,500 and thrown into prison. He could have given her heroin or cocaine, which are legal, but instead he gave her a drug which has never killed anyone, which has been used for 5,000 years, is less poisonous than aspirin and is known to provide relief for serious pain. Why do the Government not accede to the request made by doctors, patients, relatives of patients and many others that they should allow cannabis to be used, not for general medical use but for serious cases—

Madam Speaker: Order. The hon. Gentleman is making the case that he should make in an Adjournment debate rather than simply asking for such a debate. Let us hear from the Leader of the House whether there will be such a debate next week.

Mr. Newton: I cannot promise a debate. The hon. Gentleman, who is well informed about these matters, will know that there are proper advisory arrangements for Government decisions about such matters. I am sure that his comments will be considered by my right hon. Friend the Secretary of State for Health who, as it happens, is due to answer questions on Tuesday.

Mrs. Anne Campbell (Cambridge): In view of the Government's defeat yesterday on the statutory instrument on broadcasting, may we have an early debate to discuss the Government's ability to carry through their own legislation so that we can discuss why the Government were putting forward secondary legislation which could not command the support of their own Back Benchers?

Mr. Newton: That was another nice try. When I was a Back Bencher I engaged in one or two exercises of the kind which appeared to occur yesterday. The hon. Lady will know that she is making too much out of that.

Rev. Martin Smyth (Belfast, South): I welcome the fact that the Leader of the House has once again given us advance notice of the October resumption. Is it possible to find out from the Secretary of State for Northern Ireland whether, in those early weeks in October, he will be introducing the new parliamentary boundaries for Northern Ireland? If not, why is there such a delay?

Mr. Newton: I am not in a position to provide an immediate answer to that and I shall not pretend that I am. I will ensure that my right hon. Friend the Secretary of State for Northern Ireland is aware of the hon. Gentleman's points.

Mr. George Galloway (Glasgow, Hillhead): I draw the Leader of the House's attention to early-day motion 748 relating to unpaid Kuwaiti debts in London.

[That this House is gravely concerned at the plight of London businessman Mr. F. Salus, virtually bankrupted by the refusal to pay debts of £75,400 owed to him by two princesses of the Kuwaiti Royal Family, Princesses Nadia and Fatemah Al-Sabah, daughters of Sheikh Jaber Al Alim Al-Sabah, who engaged Mr. Salus to help build luxury flats in South Kensington at Manson Place, SW7, yet have persistently refused to pay Mr. Salus on the ridiculous grounds that they lost money on this investment which is their problem not their contractors, despite the entreaties of such British personalities as the Noble Lord Bethel, Sir Dennis Walters MBE, the honourable Member for Corby, Robert Evans MEP, the honourable Member for Brent East and many others; and considers that, especially in view of the great debt the Kuwaiti Royal Family owes to this country, the Emir of Kuwait should instruct his errant relatives, who are both multi-millionairesses, to make good their obligations to a British businessman whom they have all but ruined.]

The motion deals with the bankrupting of a London business man by two princesses of the Kuwaiti royal family. That royal family was returned to its throne at the point of British weapons just a few years ago. The early-day motion has been signed by 61 hon. Members from both sides of the House and includes in the first six names several knights of the realm, so great is the feeling that this act of meanness and hard-faced hypocrisy on the part of the Kuwaiti royal family should be acted upon by the British Government.

May we have a discussion about our relations with the emirate of Kuwait so that that British business man, who carried out works in good faith for members of the Kuwaiti royal family, can receive the relatively small amount of money for which he was bankrupted and so that relations can be normal between this country and the emirate? I fear that this issue will be a running sore in those relations if we cannot have such a debate and clear the matter up.

Mr. Newton: The hon. Gentleman will acknowledge that that is a matter of commercial debt and not something in which the Government could or should intervene. There are methods available to pursue such matters, if appropriate, in the civil courts.

Mr. Don Touhig (Islwyn): Will the Leader of the House find time for a debate on the decision by two universities for large salary and severance payments to be awarded to two vice-chancellors? One vice-chancellor was awarded £411,000 because he agreed not to make any comment for four years about the reasons for his dismissal. Should public money be used to buy the silence of a public servants in that way?

Mr. Newton: I will bring that question to the attention of my right hon. Friend the Secretary of State for Education and Employment.

Mr. John Spellar (Warley, West): Does the Leader of the House accept that, although the Government may wish to avoid parliamentary scrutiny for three months, the public outside do not understand why Parliament is shutting down for three months? It leads to the sort of misunderstandings that we have just seen. Does the Leader of the House accept that it does the image of Members of Parliament no good with the public, and will he reconsider that policy for the future?

Mr. Newton: We are experiencing the usual cross-fire at this time of the year. Most of the House recognises that

it is proper for the House to have a break, not least so that Members of Parliament can attend to matters in their constituencies, which they cannot do when the House is sitting four or five days a week. That is widely understood by our constituents and others, but frankly it is not helped when people like the hon. Gentleman seek to mislead them about the true position.

Mr. John McAllion (Dundee, East): May we have a ministerial statement next week on today's award of all the contracts for running the Scottish national health service computer centres to a private firm—CSC—especially as I understand that there was under-specification in the contracts to create the illusion of savings in the NHS, as well as a hidden subsidy to the private company through the undervaluing the assets of the computer centres?

Mr. Newton: I will, of course, bring that question to the attention of my right hon. Friend the Secretary of State for Scotland. I am bound to say, however, that it is my experience that considerable advantages have been secured by using the private sector to undertake computer operations, very much including the social security system.

Mr. Alistair Darling (Edinburgh, Central): Press reports suggest that the Deputy Prime Minister has expressed the wish that the House should have the opportunity for a debate rather than just a statement on the report on Barings being prepared by the Bank of England. I do not know whether the Deputy Prime Minister has taken over the job of the Leader of the House as well, but can the right hon. Gentleman tell us whether we are to have such a debate?

Does the right hon. Gentleman agree that it is high time that we had a debate in Government time on the whole question of supervision and regulation so that we can discuss not only the problems at Lloyd's but those relating to the failure of self-regulation generally? That debate should be held in Government time—rather than in Opposition time, as has happened until now.

Mr. Newton: The right time to start thinking about such a debate is when we have the report of the Board of Banking Supervision.

Points of Order

4.42 pm

Mr. Tony Banks (Newham, North-West): On a point of order, Madam Speaker. Yesterday I raised a point of order with you about a rave party that had been arranged at county hall and the possibility of it disturbing your peace and contentment. To prove the efficacy of points of order, I can inform you that I have received a letter from the Serjeant at Arms telling me that, following my point of order, permission for the rave event has been withdrawn by the owners of county hall, so you will now be able to enjoy a weekend of peace and contentment and the whole of London will rejoice with you.

Madam Speaker: I shall not be here this weekend, but in my constituency. Nevertheless, I am grateful to the hon. Gentleman, although it was not a point of order today any more than it was a point of order yesterday.

Mr. Andrew Mackinlay (Thurrock): On a point of order, Madam Speaker. May I have your guidance on how a certain problem can be remedied? Page 4593 of today's Order Paper shows that this evening there will be opportunities for two one-and-a-half hour debates, one relating to the Food Protection (Emergency Prohibitions) (Paralytic Shellfish Poisoning) (No. 5) Order 1995, and the other relating to the No. 6 order on the same subject. We can have up to three hours' debate on that matter; yet the preliminary draft budget for the European Community is not debateable. Surely it is time that we found some way to ensure that Parliament debates issues which matter to many millions of people rather than giving preference to orders about paralytic shellfish, which can be debated for up to three hours.

Madam Speaker: Some of the people who may eat poisoned fish might not appreciate what the hon. Gentleman is saying. The debates are perfectly in order. If the hon. Gentleman wants to change our procedures, he should approach the Procedure Committee.

Mr. Richard Tracey (Surbiton): On a point of order, Madam Speaker. I want to bring to your attention a matter relating to the statement on defence equipment an hour or so ago. The Ministry of Defence did not deliver any copies of the statement to the Vote Office, with the result that hon. Members from both sides of the House could not obtain copies and so could not question my right hon. Friend the Secretary of State in the necessary detail. That appears to be a singular breakdown of the procedures of the House.

Madam Speaker: The usual practice is for the Minister concerned to determine at what time the statement is to be placed in the Vote Office. Some Ministers have the statement put in the Vote Office as soon as they stand up to make it—others when they sit down. It appears that today's statement was not available when the Minister made his statement, but it was for the Minister to determine when it was to be made available. I take the view that it is rather better to have the statement available as soon as the Minister stands up, so that hon. Members can be made aware of what is in the statement and therefore ask rather more intelligent questions.

Mr. Patrick Thompson (Norwich, North): Further to that point of order, Madam Speaker.

Madam Speaker: Order. I do not think that there can be a further point of order because I have answered it very

[Madam Speaker]

fully. I do not usually take further points of order. If the hon. Gentleman can make it into another one, I shall listen.

Mr. Thompson: I can make it another one because it relates to the issuing of statements to the Press Gallery, which has not been mentioned. Many hon. Members are disturbed when, as so often happens, the press get statements and information long before Members of Parliament. It is something about which I have felt strongly for 10 years. I hope that you will allow that as a separate point of order.

Madam Speaker: I certainly will, because I feel as strongly as the hon. Gentleman does. I quite understand why Government Departments have to keep the press informed, but there has to be a strict embargo and often, I suspect, the embargoes are not kept. That is when Members of Parliament get very upset and rightly so. I give them full support in their strong feelings on that.

BILLS PRESENTED

Right to Work

Sir Ralph Howell, supported by Mr. Frank Field, presented a Bill to establish the right to work and to impose a duty on the Secretary of State to offer work instead of income support or unemployment benefit to persons who would otherwise be without work in the United Kingdom; to establish a system of grants to certain parents; and for connected purposes: And the same was read the First time; and ordered to be read a Second time tomorrow and to be printed. [Bill 158.]

Fair Employment (Duty on Northern Ireland Industrial Development Board)

Mr. Michael Connarty presented a Bill to make it a duty of the Northern Ireland Industrial Development Board to promote equality of opportunity: And the same was read the First time; and ordered to be read a Second time tomorrow and to be printed. [Bill 166.]

ESTIMATES DAY

[3RD ALLOTTED DAY]

ESTIMATES, 1995-96

Class XIII, Vote 1

Social Security

[*Relevant documents: Third Report from the Social Security Committee of Session 1994-95 on the Review of Expenditure on Social Security (House of Commons Paper No. 132) and the Social Security Departmental Report: The Government's Expenditure Plans 1995-96 to 1997-98 (Cm. 2813).*]

Motion made, and Question proposed.

That a further sum, not exceeding £18,829,738,000, be granted to Her Majesty out of the Consolidated Fund to defray the charges that will come in course of payment during the year ending on 31st March 1996 for expenditure by the Department of Social Security on non-contributory retirement pensions, Christmas bonus payments to pensioners, pensions etc., for disablement or death arising out of war or service in the armed forces after 2nd September 1939 and on sundry other services, on attendance allowances, invalid care allowance, severe disablement allowance, disability living allowance; disability working allowance; on pensions, gratuities and sundry allowances for disablement and specified deaths arising from industrial causes; on income support, payments of spousal and child maintenance, child benefit, one parent benefit, family credit, and on the vaccine damage payment scheme.—[*Dr. Liam Fox.*]

4.46 pm

Mr. Frank Field (Birkenhead): I thank you, Madam Speaker, for calling me and I am grateful for the opportunity to debate this group of expenditure measures. It is perhaps a sign of the difficulties that the House has in coming to grips with expenditure that, just as we are about to debate a social security budget fast approaching £90 billion, those few hon. Members who were here have left. The House was moderately crowded for the defence statement, but the defence budget is small compared with the total social security budget.

We must try to apply our minds to where that £90 billion is going, how good a job of stewardship the Government have done in safeguarding the taxpayers' interest and, perhaps more important, how successful the Secretary of State has been in his stated objective of controlling public expenditure on social security.

As I wish to be somewhat critical of the Secretary of State's stewardship, perhaps I should begin with some complimentary remarks. When he was moved to the Department of Social Security, the media, who do not always possess the greatest intelligence, reported his move from Trade and Industry to Social Security as an example of a Minister being dumped by the Prime Minister. Slowly, they have woken up to the fact that if one is not fortunate enough to be Prime Minister or Chancellor of the Exchequer, the place to be for someone who wants to be a big player at the top end of Cabinet table is in charge of the social security brief.

The Secretary of State has brought clear ideas about what he wants to do with his budget. This is, I think, the first full-scale debate that we have had in which we can examine at ease his stated objectives and see how well he is achieving his goals. I should, however, sound a note of warning before we begin.

If we go back to Tory election manifestos and the excitement of election campaigns, we find that the talk was a little looser than it is today—it was about cutting social security expenditure; the goal then became to cut real growth in social security spending and it was limited to whether expenditure could be restrained so that it grew at a lower rate than the underlying rate of growth in the economy. I want to consider the Secretary of State's programme within that framework.

The Chancellor of the Exchequer said yesterday that he thought that the economy was growing at 4 per cent. a year. For the purposes of our debate, we should look carefully at the Government's record on growth and use it as our yardstick to compare how successful they have been in bringing the rate of growth of social security expenditure below the rate of growth of GDP.

Before I do so, I want to emphasise how important the debate is to many of our constituents. A short while ago, I was invited to write a column in *The Sun* and I willingly accepted. When I write a piece for the broadsheets, I am lucky if I get two or three letters—I am very lucky if I get two or three reasoned letters. I received about 50 letters as a result of that article in *The Sun*. One or two people said that if Labour had views like mine they were going to vote Tory.

I am not sure what they read into the article. A recent article in *Nature* suggested that the ear does not relay messages to the brain but that the brain controls what the ear hears. It is clear that the brain also controls what some people's eyes see. I received two outstanding letters, one of which I shall quote later. The other was written by one of my constituents and said how important it was that we consider carefully how our social security budget is spent. She wrote:

"I am 65 and have been a widow since 1985, but I am still working 3 full days each week with a Liverpool based company, which enables me to maintain my home (which I own) and to keep a reasonable standard of living.

I realise I am lucky to have a job and an employer who is prepared to retain may services at my age, but because of my State pension, I am paying Income Tax to the tune of approximately £130 per month on my salary. Money, I may add, which I worked quite hard for and which, if it remained in my pocket, would make a considerable difference to my way of life.

However, I look around and see, not far from me, people much younger than I who are not working, some possibly because they cannot get a job, but a great number of whom, I am sure, do not want to work, and do not see the necessity to work, whilst they are receiving such good benefits from the Welfare State, and I know that the tax I have to pay is helping to provide these benefits."

We do not approach this debate in a light mood. We are very mindful of the fact that every day the welfare state has to be paid for by people in work such as my constituent, who is a pensioner and who pays £130 a month towards our welfare state. I shall return in a moment to how we should deal with a dependency culture and meet some of the other points in that letter.

Not long ago, the Secretary of State give the Mais lecture, in which he gripped his audience by saying that, on average, each day everybody in work pays £13 towards the cost of maintaining the welfare state. Less than 18 months later, he gave a similar lecture which updated his point to the Social Market Foundation. In it he said that, on average, every day people in work paid £15 towards the cost of underwriting our welfare state.

[Mr. Frank Field]

We have a paradox. The Secretary of State—of whom, I should have thought, most of us now have the measure—is serious about reforming the welfare state and wishes to cut growth in expenditure on it. A range of Bills has scrapped earnings-related supplements to national insurance benefits, cut benefits for disabled people and scattered asunder the remains of SERPS, but the daily cost of the welfare state to those in work has risen.

On one criterion it does not appear that the Secretary of State is succeeding. Welfare bills are increasing, but we can look at those figures another way. We know that the Secretary of State has made cuts: I am not accusing him of dishonesty or deceit. At general election time, the Government have always been clear about their programme. If ever a Government have had a mandate for their programme, it is this one.

After the latest round of cuts, the real budget for social security in the period 1994-95 to 1997-98 will rise by 1.3 per cent. The hon. Member for Colchester, North (Mr. Jenkin) is a member of Social Security Select Committee. When we were drawing up the report that forms the backdrop to our debate, he noted that the rapid upward push in the cost of benefits is continuing. Between 1997-98 and the end of the century—not many years—the real cost of welfare will rise by 2.1 per cent. That is another criterion by which to judge the Government.

Over the period of the Government's stewardship since 1979, the growth in the economy has been 1.9 per cent. After the latest rounds of cuts in welfare provision, the real cost will go up by 2.1 per cent. The Government's much-modified objective of controlling expenditure to below the real rate of increase in the economy is going to fail. I look forward to hearing how the Secretary of State will reply to that.

Their failure, of course, is not across a broad canvas; it is a failure on quite a narrow focus, on which I wish to make my contribution. I hope that it will be followed up by many other hon. Members.

The welfare state has three forms of benefit—national insurance benefits, for which we pay into the national insurance fund; what are called non-contributory national insurance rates or non-contributory, non-means-tested benefits, which go to people in certain categories such as parents who claim child benefit; and benefits that go only to those whose income is low and who qualify after a test of income. It is crucial that we consider which benefits are growing fastest and cause the most concern among not only the Government and Opposition Front Benchers but people outside such as my constituent who have to pay the bill. They wonder, if the present strategy continues, what scenario will meet us shortly after the turn of the century.

Let me break down the figures. The Government's record up to 1992-93 shows that the real-terms growth in contributory benefits was 1.6 per cent. The increase in non-contributory benefits, many of which are disablement benefits, was 6.9 per cent.

What has been the real-terms rate of increase in the means-tested side of the welfare state? I hope that we shall note from the Secretary of State's response to this debate, if he is lucky enough to catch your eye, Mr. Deputy Speaker, that there has been a subtle change in the Treasury's approach to means testing. In the early Thatcher years, Ministers would wave their arms and legs and say that means testing was the way forward to concentrate help on those in greatest need and to target benefits. We hear a slightly different message from the Treasury Bench now, and I hope that we shall hear a development of that theme a little later in the debate.

Income support for pensioners has risen by 5 per cent. For those below retirement age, it has risen by 10.6 per cent. and for rent allowances it has risen by 15 per cent. Before the latest attempt to extend family credit to those without children, the figure for family credit had risen by more than 20 per cent. The Secretary of State's failure to control the social security budget is not a failure across the whole broad sweep of policy. His failure to meet his objective is caused by the great emphasis that the Government place on means-tested assistance.

Means-tested assistance is the destabilising part of the welfare state. The Secretary of State argued before the Select Committee that the present bill was not sustainable because of the impact that it would have on the functioning of the economy. There must clearly come a point when, if welfare bills are pushed up to a gigantic level, the economy is impaired. I think that the instability is caused by something much more important: the number of people whom we are now putting on means-tested assistance.

When I make a charge against that side of the welfare state, I make a charge against us—specifically the Treasury Bench. I am much tougher than the Secretary of State on fraud, and have no room for those who wrongly claim benefit. I am sure that other hon. Members will try to catch your eye, Mr. Deputy Speaker, and talk about how partial the Secretary of State still is to dealing with the issue as we would wish to see it dealt with, but he is a happy recidivist on that. Each time, he tries to take a tougher approach to deal with fraud and we are here to encourage him in that.

Means tests have a double effect on our constituents. First, they teach them to behave rationally and work the system—I shall give an example of that in a moment—and I do not blame my constituents or those from Colchester, where someone who wrote another letter is from, for doing so. They are behaving rationally within the framework that the House has set for them and in which they must operate.

On the other side of the coin, some people decide that income support and means-tested benefits should be some form of basic income and that they should claim it and continue to claim it while they work and do all sorts of other activities. I am now talking about how it destroys people's sense of worth, their desire to behave as decent citizens and the importance that we stress on working, saving and being honest.

The second letter says:

"I am 59 years of age and was made redundant in August, 1994 (for information this was the 7th time I have been made redundant since 1976). In the past, I have always managed to obtain employment, mainly due to my knowledge and management skills. However, although I have applied, written, and telephoned over 300 companies during the past 10 months seeking any form of employment, even down to collecting empty trolleys at supermarkets or cleaning offices/factories, I have had no success mainly due to my age."

The person goes on:

"My wife and I have always been great believers in helping ourselves as against making claims against the State and, therefore, when I was unemployed in the past we used our savings, plus our

then borrowing power, to pay our bills, rather than claim benefits. This obviously has meant that we have not had a holiday for over 10 years.

As my wife presently works between 40 and 48 hours per week and has a net wage of an average of £100 per week we are unable to claim any benefits other than unemployment benefit. We are advised by the benefits agency that, due to my wife working over 16 hours per week, once my unemployment benefit ceases in August 1995, we shall have to exist on her wage, or, as suggested by the social benefits and employment offices, my wife should cease work and my claim for benefit would then be considered . . .

I am informed that, based on current benefit figures, my wife and I would receive approximately £100 a week plus possible mortgage interest assistance, that being applicable when I reach 60 years of age in September of 1995."

Is it not absurd that rather than that man's wife continuing to work for £100 a week, he can draw benefits of perhaps £125 or £150 a week if his wife stops working? Would not it be better for him to be able to continue to draw unemployment benefit and for his wife to continue working? The cost of that to the taxpayer would be a third of what will happen under the rules in September, when his wife will be forced out of work because they will be better off on benefit. They are skint, they have used their savings and they are afraid that their house will be repossessed. They continue in the letter:

"We have already had to live through the loss of our 2 daughters in 1969 and the loss of our home now would be more than we could stand."

They will stop working and will draw three times as much in benefit. It will appear as a saving in one account but, the following week, it will appear as a deficit and help to explain why the Secretary of State cannot control the budget as he wishes. There is nothing dishonest about those people. As the House has just heard, they have worked hard all their lives, scrambled for jobs and used up their savings. They will now behave rationally within the rules that the Government have set. It often pays not to work and to work the system.

Others, of course, feel differently and are not quite so conscientious as that person from Colchester; they feel that income support and housing benefit are there for the taking as of right. They think that it is a basic income that people should use, and they add to it whatever income they can get from work.

The means-tested side of the welfare state is the fastest growing side. It penalises people if they get a job, confiscates their savings and taxes honesty. It cannot be sensible for a country to have a welfare state, the fastest growing part of which has those effects on human character. We have lived through an important time in which the Secretary of State, with a clear vision of what he has wanted to do, has come to his Department, seen the enormous opportunity to apply his own ideas and ideology and bring about change. Yet as I said at the beginning, the figures do not look good given his objectives for the welfare state.

We can all learn lessons from this tale. I do not believe that we can control public expenditure, or the largest part of it—a third of all the money contributed by taxpayers—if we have a strategy like the one pursued by the Government, which pushes more and more people on to means tests and then finds it impossible to control that part of the budget. It is impossible to control it because, as I described using the example of the gentleman from Colchester, it is rational. The only option is to work the system, and doing so, in that instance and many others, increases the cost of welfare not onefold but threefold, and people feel a failure because they have been unable to get a job. They must now exist totally on benefit—something that the family from Colchester have fought all their lives.

Other people believe that welfare is an easy touch. I welcome the statement that the Secretary of State made recently—and, I believe, the other eight that he has made—on clamping down on fraud, but he has a long way to go.

The Select Committee is considering that matter with deadly seriousness. It is easy enough to pick on single mothers and those who work on the side—although the Secretary of State has not quite got the measure of either of those yet in the fraud clampdown that he has announced—but we are equally worried about the fraud that sophisticated gangs must be perpetrating against that £90 billion budget. It is inconceivable that the budget is somehow gated by behaviour characteristic of the garden of Eden. Given what we know about City fraud and fraud in financial institutions, it is unthinkable that similar techniques are not being used against our budget of £90,000 million.

I believe that we do not yet have the measure of people committing that type of fraud. I fear that the task will be fraught with danger for those officers who begin to get a grip on it. Not so long ago, some people were sentenced to life imprisonment for shooting officers who were checking up on MOT frauds. We shall be tackling very nasty, very vicious, very violent people who are uninterrupted in their activity in ripping off our £90,000 million social security budget on a mass scale.

For that reason, I call for officers of the highest quality—of Special Air Services quality and rewards—to undertake that task for us, for I fear that it may not be that long before the Secretary of State has to come to the Dispatch Box to announce what has happened to some of the officers in his Department when they do get to grips with fraud in that sector.

Mr. Malcolm Wicks (Croydon, North-West): Does my hon. Friend agree that, if the Secretary of State's recent estimates about the scale of fraud are correct, it must mean that, during the stewardship—to use one of my hon. Friend's favourite words—of the present Government, billions and billions of pounds have been fraudulently used? Is that not a matter of great concern? In spite of the platform rhetoric at seaside resorts every year, the Government have effectively been soft on fraud.

Mr. Field: I like teasing the Secretary of State that he is soft on fraud and soft on the causes of fraud, but he is getting better and we should encourage him in that endeavour.

My hon. Friend is absolutely right. We have always heard such rhetoric from the Conservative party at elections and at party conferences. Given the partial nature of the current measures, if they had been introduced in 1979, not only would we have ensured that improved anti-fraud measures were now in place but huge tranches of money would have been saved for taxpayers. My constituent who pays £130 a month in taxes on her three days of work a week is the type of person who has been cheated.

[Mr. Field]

I do not believe that the Government have a strategy other than cutting entitlement and, late in the day, trying to screw down on fraud. If we are to bring the budget under control successfully, we must propose an alternative programme.

In conclusion, I shall mention three things that I believe that we must do. Before the millennium, we shall receive the full force of taxpayers' opinions about what they want to happen to public expenditure. The thought that we can maintain public expenditure at the present level is an illusion that politicians should not have.

Opposition Members may pretend that it will not happen—and allow public opinion to hit us in the face—or try to devise strategies whereby we leap ahead of where the electorate will be in a few years' time and set out an alternative stall.

I hope that we shall consider carefully the proposal of hiving off the national insurance side to a corporation or perhaps, to use a more friendly phrase, an organisation run by the punters themselves—both contributors, employers and employees—with the Government having a say. That organisation would set rates of benefit and gradually take over what is currently the national insurance system.

It would cover the whole of that sector in time, but it would, for example, tackle the problems that the letter that I have just read reveals. If people could quickly requalify for insurance benefit when they were unemployed, as they could under the 1911 scheme, many more people would be prepared to take risky jobs, hoping that the job would last long enough that they at least got their insurance credits back so that they could again benefit. We know that, if they received benefit, their wives and other members of the family could continue to work and they would not get caught back on means-tested assistance. We know that, once most of our constituents are on means-tested assistance, it is almost impossible for them to break free.

The second long-running reform is to ensure that everyone has at least one pension other than the state retirement pension: in other words, universalise private provision of pensions; everyone will have to be in. If Tesco can run a pension scheme that admits part-time workers after the first hour of work, everyone can run an equivalent scheme, or at least allow people to opt into a national scheme that provides such coverage.

The final thing that we must do if we are ever to control the estimates that we are debating today is to change totally the culture of income support, which is that of a passive agency, paying out benefit, into one that is proactive, helping people back into the labour market.

I propose that everyone on income support who is below retirement age should be expected to draw up career plans and use their income support payments to achieve those objectives.

In previous debates, my hon. Friend the Member for Croydon, North-West (Mr. Wicks) has given us a powerful example of why that change should occur. He gave us the example of a single parent in his constituency, visiting her income support office, saying to officers that she wished to become a traffic warden. The officers fell about laughing. They said, "You've got it wrong, love. Our job's to pay out money; it's not to help you get a job."

That is an appalling state of affairs. Those officers were behaving properly. Their job was to pay out money, not to help claimants achieve the objective of getting back into work.

I know that problems are involved with such a scheme, such as how to ensure that child care is available—which probably goes beyond giving a few people already receiving child care, vouchers worth £1,000 a year. However, we must change that culture of drawing benefit and then merely existing on benefit if we are to achieve significantly greater success than the Secretary of State in controlling growth in social security expenditure.

I finish as I began. The Government have made wild claims about the way in which the social security budget, the largest of any Government budget, will be controlled. Their first objective was to hack it back, then it was to cut it in real terms, then it was to control the increase in real terms and then it was to cut it enough so that in real terms it was growing slower than the real long-term growth in the economy.

The figures that I gave at the beginning show that the Government have failed on all those objectives. I do not present those figures merely to crow at the Government. This is an immensely serious debate. The social security budget is the largest part of expenditure to which taxpayers contribute each week with their hard-earned money, and the Government have failed to control it. I hope that, before the general election, we shall make proposals that show that there is an alternative to the present regime.

5.19 pm

Ms Liz Lynne (Rochdale): I want to praise the report by the Select Committee on Social Security. It is very constructive and it has a great deal of common sense in it, especially the call for more regular information on expenditure and growth and the recommendation for more research, which is needed for the wide range of benefits that we are discussing. The most radical idea in the report is that Government Departments should estimate the cost of their policy decisions on the social security budget. I sincerely hope that the Government will take that idea on board. There are so many areas that such estimates could cover, including housing and employment.

The abolition of the wages councils obviously had a tremendous effect on the social security budget. The Government spend £2 billion subsidising low-paying employers and they top up the earnings of 1.7 million people. Far from the Government learning from the abolition of the wages councils, they have taken matters a step further and we now have the jobseeker's allowance. On Report in another place on the Jobseekers Bill, the Government opposed an amendment that would have given the right to every person to turn down a job for which the wage was lower than benefit. In other words, the Government have rigged the labour market, because benefit will be stopped if the claimant does not take the low-paid job. Employers will be able to offer wages lower than the wages that they offer at the moment, because they know that unemployed people will have all their benefits cut unless they take the low-paid job.

For single people and couples with no children, the introduction of the jobseeker's allowance could mean that they will live below the poverty line. I know that the Government are introducing pilot schemes to look at

benefits similar to family credit for those with no children and for single people. Already, however, couples with children have to have their earnings topped up by family credit and the family credit budget is continuing to soar; it has doubled in the past four years. Employers are exporting their wage bills to the taxpayer, which is totally unacceptable.

The same point applies to housing. If Government Departments had to estimate the cost of their policy decisions on the social security budget, would the control of council house receipts remain? I very much doubt it. If that policy were adopted, unemployed building workers could get back into work. Other employers would be able to take on people, because the knock-on effect of houses being built would be to the benefit of suppliers to the building industry. If councils were allowed to spend the receipts, there would be low-cost, local authority housing, which would stem the rise in the housing benefit bill. It must make economic sense for the Government to adopt that policy.

The Select Committee stressed the disturbing growth in means-tested benefits; it talked about the unemployment trap and about the low-income employment trap. The Committee looked, but it failed, unfortunately, to recommend that the tax system should be looked at at the same time as benefit reform. By close integration of the tax and benefit systems, the effects of unemployment and the poverty trap would be somewhat mitigated.

At the time of the Budget, the Liberal Democrats suggested that we should take 50,000 low-income earners out of the tax system, which would have helped with the family credit bill. I know that, with all the publicity last week, another report by the Select Committee on Social Security, which dealt with the compensation recovery unit, was somewhat ignored. Reforms would reduce the injustice suffered by personal injury victims and would mean that, instead of the money being clawed back by the Treasury from the victim, it would be clawed back from the employer. That proposal would be revenue-neutral for the Treasury. I would be grateful if the Minister, when summing up, would refer to the proposal.

Another area that has been well documented in the past few days is benefit fraud and I welcome the Government's initiative on that, although it has to be said that they have introduced many initiatives, but have not followed them through. The initiative will not be taken seriously by the claimants who are defrauding the system unless they can see that tax fraud is treated equally. I welcome the survey by the Department of Social Security and its estimates of the money that is lost in benefit fraud. I would like the Treasury to carry out a similar exercise on tax evasion. How can we persuade people in a lower income bracket and those who defraud the benefit system to be honest when people at the higher end defraud the tax system?

The main aspect of the Select Committee report which I welcome is that all Government Departments should assess the cost of their policies on the social security budget. That is the way in which to get the social security budget down instead of penalising the people whom the Government penalise at the moment—the unemployed, who will be affected by the cut from 12 months to six months of benefit, and disabled people. I hope that the Government will look seriously at the initiatives set out in the Select Committee report, which I commend to them.

5.26 pm

Mr. Tony Banks (Newham, North-West): I say for the record that the London borough of Newham is the most deprived local authority area in England and Wales, according to statistics from the Department of the Environment. As someone who represents and lives in the area, I can bear witness to the general level of poverty in the east end of London—in Newham, Stratford, Upton Park and West Ham. Strangely, I get far angrier—it is not synthetic anger—than my constituents when I see the poverty that they have to deal with.

I am unmoved by talk of the need to crack down on fraud, not because I am in favour of fraud, but because I am far more concerned about people who do not receive benefits to which they are entitled. I am more concerned about them than I am about those who are trying to get more out of the system than they should. I am a great supporter of those who want to crack down on fraud, but I am an even greater supporter of those who want to make sure that the benefits go to those who need them most and that people are receiving what they are entitled to.

I do not understand how some people in my area exist from breakfast to dinner—assuming that they get either a breakfast or a dinner. They have to live on levels of income that Members of Parliament have no experience of whatever. Members of Parliament will spend more on the Terrace this evening—so will I—than some individuals have to spend in a week. I am not claiming that I am impoverished—far from it. However, when I hear Members of Parliament going on about levels of benefit and about how we need to ensure that they are appropriate, I realise that there is a great stench of hypocrisy, as ever, hanging around this place.

More than 18,000 people in Newham are unemployed and there is an unemployment rate of 19.5 per cent. Some 85,592 people in the borough depend on income support. Unemployed people make up 41 per cent. and lone parents make up 19 per cent. of income support claimants. Those figures show the extent of the poverty in my part of the east end. This evening I draw attention to the changes that will be introduced on 1 October in respect of mortgage interest payments.

Mr. Frank Field: The figures that my hon. Friend has cited from his borough are very interesting, because they are the exact opposite of the national figures, which show that the number of unemployed people drawing benefit is exceeded by the number of people heading single-parent families and trying to raise children on their own. That illustrates the fact that recent labour market policies have decimated jobs to the extent that inner-city areas do not reflect the national average, which shows that twice as many single parents are drawing benefits compared with unemployed people. In our areas, there are twice as many unemployed benefit claimants as lone parent benefit claimants.

Mr. Banks: As usual, my hon. Friend makes an excellent point and we all defer to his expertise in such matters.

Speaking as a lay person, I would like the Secretary of State and his Ministers to sit in my advice surgeries and hear what is going on. I want them to see the situation for themselves, instead of sitting in Departments and receiving advice from civil servants. I am not suggesting that the Secretary of State and his Ministers do not visit

[Mr. Banks]

offices in their constituencies and listen to people's problems, but if they could visit the east end, be a fly on the wall and listen to people's stories, perhaps they might show greater concern for low levels of benefit rather than constantly making accusations and creating the impression that people are living the life of Riley on income support or social security benefit. It is certainly not the sort of life that I would want to lead—even on the most generous level of benefits currently available.

I want to ask the Secretary of State about some of the changes to come into effect on 1 October. It appears that most people under 60 years of age who buy a house or take out a loan for repairs after 1 October will receive no income support assistance with mortgage interest or service charges for nine months. That is outrageous. Ministers have been lobbied about the matter and some groups have been granted a reprieve. As I understand it, they will be classed as existing borrowers. But what about recently deserted or widowed people, who will be included in that group only if they have children? We believe that the decision will cause great hardship to many women in my area who have spent years as carers and so do not have any employment. The Minister must consider that point.

There is also the question of the standard rate of interest. Income support mortgage interest is currently calculated on the actual amount of interest. The change to a standard rate of interest for all claimants will be set at the average mortgage interest rate for probably an annual period. Those with high interest rates will have a shortfall, which benefit will not cover, and that will affect particularly those people on low incomes who end up with expensive loans. That will create enormous problems in my area.

Assistance with accumulated arrears is to be abandoned. Interest will no longer be paid for arrears built up during the initial non-payment period and that will lead to increased debt and homelessness. The Government's excuse for abandoning that assistance is that the calculations are very complex—but so are the calculations for child support, and it has not been abandoned. The calculations could be made if the Government had the political will to do it.

I return to the effect of the changes in Newham. After 1 October, they will take effect slowly and insidiously over two or three years as new claims are made and more people are affected by the restrictions. Last year, Bow county court dealt with 4,000 mortgage repossession cases. Where do people go after that? They turn to the local authority. I get very angry with the Government for deflecting those problems to the local authority, which then has a statutory obligation to try to house the people whose homes have been repossessed.

Bed-and-breakfast accommodation comes into play. We are still spending millions of pounds on the provision of short-term and bed-and-breakfast accommodation. The Government simply shift the problem from their jurisdiction to that of the local authority. Conservative Members then talk about high rent arrears and empty local authority housing stock. They say that the problems are the responsibility of the local authority and they ask why nothing is being done. The Government think that they are dealing with the problems, but they are not: they are simply shifting them somewhere else.

Mr. Field: I am grateful to my hon. Friend for giving way again. Last Friday I visited Salford, where the citizens advice bureau provides a service in the courts for people who face homelessness through repossession. That work underlines the point that my hon. Friend made earlier about people receiving the entitlements that they deserve. The CAB finds that many people who face eviction because of mounting debts—the situation will worsen when the changes are introduced—are not receiving their proper entitlements. There may be minor savings initially but, as my hon. Friend pointed out, there is a massive increase in public expenditure when people whose homes have been broken and whose families have been torn asunder are placed in bed-and-breakfast accommodation.

Mr. Banks: My hon. Friend represents a constituency that is not dissimilar to my own, and he has seen the evidence. We are not making up the stories. The changes will not affect our personal circumstances, but they will affect the people whom we represent. Members of Parliament have a duty to bring those facts to the Secretary of State's notice. Instead of listening to arid discourse from departmental staff, he should listen to those who represent the people who are most affected. That is why we bring our cases to the Secretary of State.

The Secretary of State for Social Security (Mr. Peter Lilley): In addition to bringing the cases to my attention—I have listened attentively to his comments and I know that his argument has a great deal of force—has the hon. Gentleman had any success in persuading his own Front Bench to increase the level of benefits? Did he hear his leader say this week that benefits should be altered and that there should be massive reform of the welfare state, so that benefits out of work are less than what people receive in work?

Mr. Banks: Only time will tell whether I am having any success. I assure the Secretary of State that I would be far happier taking my case to a Secretary of State of my own political persuasion, because I am sure that my colleagues understand the problems better and would take a far more realistic approach to the level of benefit.

I shall be honest with the Secretary of State: my argument will not alter—in fact, I shall be twice as angry—if a Labour Government do not address the problems of the east end, because the people of the east end have loyally supported the Labour party for generations. They are entitled to expect assistance from a Labour Government whom they elect. I am sure that they will receive that satisfaction. But if they do not, I assure the Secretary of State that my voice will be raised most stridently on their behalf. However, I suspect that my support will not be needed to the same extent that it has been needed since 1983.

I shall not detain the House much longer. I seek clarification from the Secretary of State about two more issues in the context of the estimates debate. I understand that the new in-work benefit pilot, the earnings top-up, is a benefit like family credit, but for people without children. It is a means-tested top-up for people on low

wages. It will pay up to £54 per week, with an average of £23 per couple and £19 for a single person aged 25 and over. It amounts to a subsidy for low wage rates.

Conservative Members ask what a minimum wage will cost, but what is it already costing the taxpayer to subsidise rotten employers who pay lousy, stinking, strip-out wages? No one in this place would work for such wages. They would laugh; they would not even get out of bed. If Members of Parliament were offered that sort of rate for a BBC or an ITV interview, they would turn it down. Of course, I would not turn it down; I would do it for free, as hon. Members well know—but that is another matter. Money does not interest me in the same way as it interests so many on the Government Benches. We are talking about ludicrous wage levels, and we are asking the taxpayer to subsidise rotten employers. The sooner we get a decent minimum wage in this country, the better. In the end, it would be a saving for the taxpayer.

In the earnings top-up pilot scheme, a number of areas have been selected, but none of those is in London. I would like to know rather more about that. Even though I do not over-approve of the idea of subsidising rotten wages, why has not any area in London been chosen? There are plenty of rotten, low wages paid in London.

The Secretary of State announced new initiatives to combat fraud on 11 July. I made the point at the beginning of my speech that I am not here to support fraud, but I am also not here to support this hue and cry about fraud and its use as a divisive mechanism in our society. The idea that, nudge, nudge, wink, wink, anyone receiving social security is on the fiddle, seems gradually to be creeping into the public consciousness. It is expressed so often in vulgar opinion. I might add that I heard my hon. Friend the Member for Birkenhead (Mr. Field) talk about his article in *The Sun*. I understand that it pays very well for articles, incidentally.

Mr. Field: I am still waiting.

Mr. Banks: My hon. Friend is waiting to be paid. Perhaps he needs a good agent. I am quite prepared, for a reasonable remuneration, to hurry it along a bit.

The Sun is one of those newspapers that tends to suggest that somehow people who are on benefit are getting some sort of handout to which they are not entitled; it is really a fraud being perpetrated on the population at large. It is very dangerous to use such words and give that impression.

We understand that fraudulent claims cost the taxpayer £1.4 billion a year and it is absolutely right that something should be done about it. But when do we hear Ministers waxing about the number of people who fiddle their Inland Revenue claims, or employers who fiddle national insurance? Where are all the initiatives to bang that stuff out? Such white-collar fraud in the City, by employers and by those who are evading tax, amounts to billions and billions of pounds and makes the fraud on social security seem like money in the old back pocket.

I would be much more impressed by the Government's determination to crack down on fraud if they took an even-handed approach; if they were as rigorous in trying to deal with Inland Revenue and national insurance fraud as they are with respect to the payment of benefits.

I want to ask the Secretary of State a specific question about home visits, because I notice that, in the endeavour to cut fraud, there is talk of 300,000 extra home visits across the country. When a home visit is deemed to be required—for example, when the person involved is a single parent—are they planning to reduce income support until that visit has taken place? This is important. I want to know whether my constituents will lose while they wait for a home visit. Although 300,000 extra home visits are planned, I suspect that the Department will soon start saying that it has not got the staff for them. I do not want to find that potential claimants are penalised for waiting for a visit when there are simply not enough Benefits Agency staff to ensure that that visit takes place.

I return to the question of those who do not get the benefit to which they are entitled, as my hon. Friend the Member for Birkenhead said. From Government figures, we estimate that in Newham something like £12 million a year in means-tested benefits is simply not being taken up. What is the Secretary of State going to do about that? When he shows as much enthusiasm for ensuring that people who are entitled to benefit get benefit, I will be equally enthused by his attitude towards some of the other things that he constantly talks about, such as fraud and targeting benefits on people who are most entitled to them.

Perhaps those points put a little flesh on these bare estimates. They come as a witness from someone who has to deal with a whole range of poverty. The worst poverty of all that I have to experience in the east end is the poverty of expectation. The people I represent have a very low level of expectation. I want to ensure that their sights are heightened and that they have a vision of a better society in which they can receive a decent level of benefit when they need it. That is what we want, and I am quite sure that, when my hon. Friend the Member for Glasgow, Garscadden (Mr. Dewar) is the Secretary of State for Social Security, that is exactly what we shall get.

5.44 pm

Mr. Jeremy Corbyn (Islington, North): It is a pleasure to follow my hon. Friend the Member for Newham, North-West (Mr. Banks), who explained well the plight of the people whom he represents and the poverty throughout the east end of London. Indeed, one would find similar levels of poverty in every inner-city region in England, Wales and Scotland. The *Evening Standard* report on the levels of poverty in London makes very grim reading. Within a 15-minute car journey from this House, one can find people living third-world levels of existence, health and expectation in a supposedly wealthy and prosperous society.

The Government complacently preside over a social security budget which they claim is growing very fast, and say that it cannot continue to do so, yet at the same time, statistics have shown that, since the Government came into office, the biggest growth in inequality of any industrialised country, the biggest growth in poverty among industrialised countries and the biggest growth of the super-rich among industrialised countries have all been in Britain.

That is a direct result of a taxation system and policy that has given huge tax breaks and rewards to the already very rich and soaked the poor to the extent that they now pay more in taxation than ever before. The poorest 10 per cent. of the population, who tend to reside in the inner cities, although not exclusively, have seen their living standards fall by at least 14 per cent. over the past decade and more, and it is getting considerably worse for them.

[Mr. Jeremy Corbyn]

Within that context, we must measure the Government's proposals and plans. I am fed up with social security debates being dominated by two factors: the costs of the social security system and the question of benefit fraud that goes with it. I have no time for fraud, any more than any other hon. Member. The speeches of my hon. Friends the Members for Birkenhead (Mr. Field) and for Newham, North-West outlined that. The Government have an obsession with dealing with the idea that somebody has over-claimed 10 quid on housing benefit or somebody has worked two hours more than he is allowed under the benefit rules and therefore is a serious fraudster.

Meanwhile, high levels of white-collar crime go on and huge syndicates are at work defrauding the housing benefit system. The London Labour boroughs got together as a consortium to try to sort that out, with precious little thanks or support from the Government for doing so. In fact, the Government condemned the boroughs for allowing such fraud to exist in the first place. It was not the assiduousness of the Department for Social Security or of the Secretary of State that sorted that out, but the inner-London boroughs.

Mr. Frank Field: Does my hon. Friend recall that some of the London boroughs wishing to bring prosecutions against landlords and landlords' agents who were ripping off the housing benefit budget to a tune which I do not think that the House yet properly understands, and were told when they presented their information to the Serious Fraud Office that it did not understand enough and that the boroughs should bring the cases. Yet those boroughs either have been rate-capped or face capping and therefore do not have the funds to bring the desired prosecutions. Is that not an extraordinary state of affairs?

The Government say that they are serious about fraud, but when certain London boroughs support them and become serious about tackling it, and there is a chance of bringing into court some very rich people who are taking enormous sums out of the housing benefit budget, the case falls to the ground because nobody wants to foot the bill for the prosecution.

Mr. Corbyn: My hon. Friend is right. He makes a very important point with which I hope that the Secretary of State will deal when he replies. Those big fraudsters should be taken to court and the Government should ensure that the resources are available and that the Serious Fraud Office takes the cases. Whenever there is a growing problem to the extent that the Government cannot handle or control it, they pass it to local authorities. At the same time, the Government make damn sure that local authorities do not have the resources necessary, then criticise them for not solving the problem. Local authorities are the perfect enemy for a Tory Government. It is like an obsession for them.

The large increase in housing benefit expenditure does not benefit the tenant. The budget has grown because of rent deregulation in the private sector, the rapid increase in housing association rents and the almost as rapid increase in local authority rents. Local authorities do not benefit from administering the housing benefit budget but are penalised for so doing. I am glad that the Select Committee will examine the burden on local authorities of administering a housing benefit budget and all the grief that goes with it, when those authorities are not given the resources to perform that task.

It is extremely depressing that, any time that we want to examine part of the welfare state, yet another agency is created. Such agencies have succeeded in ensuring large job losses, with fewer people doing the work—often, less efficiently than in the past. The Government's attitude to people who have dedicated much of their lives to making the social security system work is to make sure that those people end up working for an agency, then to change their contracts of employment and conditions of service.

Government statistics often claim that UK pensioners are at least 33 per cent. better off than they were when the Government came into office. That figure varies—depending on which Minister one talks to, or on which television or radio programme he appears—between a low of 32 per cent. and a high of more than 45 per cent. I have never met pensioners who are better off to that extent. I do not doubt that some extremely wealthy pensioners are doing better than average, but the majority do not have huge occupational pension incomes—if they did, they would be taxed on them anyway.

Many elderly widows have no income other than their state pension and housing benefit and are often badly off. They have been penalised by the breach in the link with earnings made by Geoffrey Howe in 1980, who called it his greatest achievement as Chancellor of the Exchequer. We can imagine his aspiration. He succeeded in robbing every pensioner in the country of about £20 per week by breaking the earnings link and substituting one with the retail price index.

Ministers predict that the pension level will become nugatory by the end of this century. That is a standing invitation to everyone in middle age to make some sort of private pension arrangement, because that is the only way of guaranteeing a reasonable income on retirement. That attacks the principle of the state pension. Likewise, we witnessed the Government's use—or abuse—of the Government Actuary in the 1980s, to reduce the value of SERPS and thereby increase market opportunities for the private pensions industry.

I do not apologise for strongly supporting the principle of a high-level state pension and a fully funded SERPS that can eliminate poverty in retirement years. There is no security in private pension schemes sold by high-pressure salesmen working only for commission. A lot of tragedies are waiting to happen in the next 15 or 20 years. I hope that someone will be around to pick up the tab for the tragedies that will occur as those schemes collapse.

The Government have done much to make the benefits system more complicated and less effective, including the tragic removal of benefits from 16-to 17-year-olds, changes in the housing benefit system, family credit and now the publication "Piloting change in Social Security: Helping people into work". The Government deregulated the labour market so that hourly wage rates, particularly for young people in service industries, are shameful and a disgrace.

People throughout the country are being pushed into jobs offering wages of £2 per hour or less. The Government know that it is immoral for people to work for such low pay but, instead of doing something about it, such as restoring the wages council system or supporting a national minimum wage, the Government—to assuage

their guilt—introduced family credit and now propose a wider variety of top-up measures, to subsidise low-wage employers. That is a disgraceful vista.

Some extremely prosperous and profitable firms are deliberately paying low wages because they know that they can get away with it. People in the worst situations will have to apply for social security benefits to top up those low wages, and that is wrong. I strongly support a national minimum wage, which should be fixed at half male average earnings, at about £4.20 per hour.

Large numbers of people who suffered accidents at work and became invalids now face the most rigorous medical checks possible in the interests of cutting their immediate and long-term benefits. Government expenditure predictions show that they expect to spend less and less on invalidity benefits, mainly in respect of injuries arising from accidents at work.

Will the Secretary of State comment on the operation of the habitual residence test, which he introduced after his idiotic speech to the Tory party conference, when he said that he would stamp out benefit tourists from Italy? He tried to put on an Italian accent and to speak Italian. He used xenophobic arguments to introduce his test.

I will tell the right hon. Gentleman how it works. People who go abroad to visit their families, work, or see sick relatives in west Africa, the Caribbean or anywhere else return to this country to be told that they do not merit benefits. They lose income support and the right to receive housing benefit. They can become homeless and children may go hungry—all to appease a xenophobic audience at a Tory party conference.

Mr. Tony Banks: What happens then is that such people turn up at the borough council's social services department to seek assistance. Again, the problem is shifted to the local authority as a result of Government policy. It is all very well for the Government to claim that they are dealing with the issue, but they are not. They are transferring responsibility to hard-pressed local authorities, which is a disgrace.

Mr. Corbyn: My hon. Friend is right. If people can get through the maze of appealing against a habitual residence test decision, in many instances the result can be reversed, but the family has to suffer the heartache and headache for weeks and weeks, if not months and months. All that was the result of the horrible atmosphere of xenophobia encouraged by the Secretary of State in his Tory party conference speech.

We have witnessed in our own lifetimes the development of a comprehensive welfare state designed to insure people against poverty, poverty in old age and poverty when out of work. Over the past 15 years, we have seen a systematic attack on those principles. The Government keep saying that the current level of welfare spending is unsustainable—that there are too many elderly and poor people and too many demands on the system. There are not. The Government are more interested in reducing tax for the already rich and redistributing wealth in favour of the wealthy, while letting the poor rot and creating an underclass.

The Government are fond of quoting international comparisons, but those comparisons show that this country spends rather less on the welfare state than do most western European countries. International comparisons also point up the big con that the Government are perpetrating as a way of cutting back the welfare state. I believe strongly in the principle of a community that supports those in need at all times, not a community that punishes them for being poor and needy.

We heard a great deal about the international competitive market in the course of the social security inquiry. We were told that our marginal rates of tax are too high in Britain and that we can no longer afford the welfare state. We cannot go on playing ducks and drakes with people's poverty around the world—large employers say that wages are too high in Britain so they will move their firms to Spain unless British workers are prepared to drop their demands. Then the people in Spain are told the same; then the workers in the far east will be told the same, and so it goes on.

We need international comparisons that eliminate, not create, poverty. We need comparisons that guarantee security instead of creating misery and insecurity. I hope that an incoming Labour Government will reverse the policies of this Government and introduce instead a poverty, or redistribution of wealth, index. Thus, instead of looking at the bald costs of a service, we shall look at the effects of that service and the effects of the social security system as it eliminates serious poverty. I look forward to that.

Like my hon. Friend the Member for Newham, North-West and others, I see far too much poverty around me. I see far too many children unable to achieve at school because their families are so poor, with all the attendant poverty of expectations. There are many brilliant minds wasting away on dole queues, many children growing up in overcrowded accommodation—all of which leads to under-achievement at school.

Our benefits system is failing the people, and the Government are deliberately making sure that it fails them.

6.1 pm

Mr. Malcolm Wicks (Croydon, North-West): Much of the debate so far has dealt with past and current trends. We need also to recognise, looking ahead only 10 years or so, that there will be many demands on the social security budget and some newly recognised needs that will need to be taken fully into account. If any Government fail to go in for some radical thinking and some radical restructuring of the social security programme, their leaders, Conservative or Labour, will be left as frustrated Ministers.

One newly recognised need that I have in mind is the need for long-term care. If Sir William Beveridge were writing his famous report today and assessing, as he did in 1942, the risks that people face over their lifetimes—injury, sickness, unemployment and the likelihood of retirement—I think that he would argue that one of the risks that should be built into our social insurance system is the eventuality that a person will need, if not conventional care, then what we now call long-term care. Many of us who survive into our 80s or 90s will become frail, not necessarily needing urgent medical attention in hospital but needing intensive social care, in our own homes or, failing that, in various kinds of residential institution.

We all know that many of our constituents need long-term care requiring the payment of thousands of pounds a year, and many of them watch as their lifetime

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savings disappear because they have to pay for the care if they are not protected by the social security system or social services departments. There is a strong argument for building into our social security system protection against that sort of risk. That will be debated a great deal in the coming months and years; we need such a debate, and we need to examine the different options. If we do cater for that risk, it will place new demands on our social security and national insurance system—

Mr. Frank Field: One of the other letters that I received was from a woman of 67 whose husband is 72. They have worked hard all their lives and are proud of the way that they brought up their children. They know, however, that, life expectancy being what it is, one or both of them may eventually need long-term care: and they know what the costs will be. They also know what the effects will be on their children; no doubt they will be supportive, but this couple are worried, with fees running at between £300 and £500 a week, that they may outlive any insurance policy that they have. It is not very nice for such people to feel that they may become a burden on their children, who in turn might begin to wish that they would "move over". The family's assets would certainly be endangered.

The lady writes in her letter that everyone says that she should be insured, but she wonders with whom to insure. It is one thing to know that any money not used up will be paid into the health service; it is quite another to think of a private company benefiting if people die before they need the care. Those problems face many of our constituents, who are worried about losing the free care in the health service for which they have paid but which has been taken away over the past 15 years.

Mr. Wicks: I thank my hon. Friend. He reminds us that the goalposts have been moved, partly by the Government. Once upon a time, many people spent their final months, when they were ill, in cottage hospitals. Now, increasingly, although we know more about the impact of the wider environment on health care, our national health service is—paradoxically—being encouraged to take an ever narrower view of its responsibilities towards the sick.

Mr. Andrew Rowe (Mid-Kent): The goalposts have been moved, but not exactly in the way suggested. Owing to an extraordinary distortion in investment over the years, property has been regarded as by far the best place to put money. An enormous number of people have put almost all their assets into their homes.

Secondly, the age at which children can expect to inherit has risen so much that it has greatly changed many people's need to inherit. Both aspects are ingredients in a debate which, I entirely agree, we desperately need to hold, because this is an important subject.

Mr. Wicks: I thank the hon. Gentleman. By an historical fluke, inheritance now affects a much greater proportion of the population than it did even 30 years ago—at the very time when long-term care has become much more important. That can set up some delicate problems between the generations.

My hon. Friend the Member for Birkenhead (Mr. Field) is keen on examining the correlation between the social security system and behaviour—how some policies promote bad behaviour and others, one hopes, promote good. While some people, through no fault of their own, cannot accumulate assets, others who can, encouraged by the Government and indeed by all parties, own their own homes, or save and invest. It is therefore quite wrong that they should lose all those assets during the last few years of their lives, and watch them being swallowed up simply because they did the right thing and behaved in an economically responsible way.

Our political parties are turning their attention to this issue now: we are going to hear far more about it in future. One option relates to the social security system, but I must not get sidetracked into a wider debate about long-term care. My thesis is that there will inevitably be new demands on the system in future, so it behoves us to take a radical look at how we spend our social security pound. The needs of families with children, although hardly new, will be discussed much more in the coming months. We are increasingly aware that, in middle England—to use that over-worked phrase—many two-parent families who are not near the poverty line are struggling to bring up children. Increasingly, the costs of children go into the teens, into the university years, yet we are expecting families to pay those costs with less support from the state.

It is not surprising that people elsewhere in Europe are very worried about low birth rates. It is not surprising that European men, but particularly European women, are finding it too expensive to have babies, which is why on average the birth rate in the European Union nations is now as low as 1.5 or 1.6. In the early 1970s, it was 2.5 or 2.6—that is one child fewer because of the dramatic decline in birth rates. That has come about partly because the women of Europe—less so the women of Britain, where our birth rate is slightly higher—are discovering that it is very expensive to have children. Increasingly, Governments—I know that this Government are doing it in private—are looking at how they can enhance the economic well-being of such families.

If we want to turn again, so many years after Eleanor Rathbone, to develop a new partnership between the family and the state, that would put added pressures on Government expenditure on social security. Yet social security is already at record levels. Who would have believed 16 years ago—those foolish enough to believe the rhetoric that public spending was going to come tumbling down and that the social security budget would be constrained—that a Secretary of State for Social Security from the new right would be presiding over record levels of public spending in his Department? That is something that will tease the historians in future.

I believe that there is scope for a radical restructuring of the social security budget. I am not convinced—it would be worrying if one were—by the public expenditure tables and accounts that every social security pound is being spent effectively on what the House would regard as sensible social security objectives. Spending is out of kilter. I shall give three examples.

My first concerns housing benefit. It is quite extraordinary that the social security programme is so way out of control. Let us remind ourselves of the figures for rent allowances. In 1994-95, we are already spending £4.7 billion on rent allowances. By 2000-01, it will increase to a staggering £8.1 billion. It is quite extraordinary that we are spending that amount on housing benefit. If I, and, indeed, the House, could be convinced that that was

sensible social security and housing policy, that would be one thing, but I am not so convinced. The Department of Social Security has been a victim of a housing policy that has neglected the idea of subsidising and encouraging bricks and mortar, and it has, through a means-tested system, with all the problems of the poverty trap that that occasions, decided to subsidise the individual. That has been a green light for the exploitative landlord.

In my advice surgery some two months ago, although he did not have an appointment, a gentleman rang to say, "I must see you as my MP." He came in with a henchman and said that his problem as the local landlord—a well-known landlord—was that he was no longer getting the money through from Croydon council as quickly as he had in the past. I said, "What do you mean? The housing benefit does not belong to you." He said, "Yes, but I always get my tenants to sign an agreement that the money will come direct to me." I told him that it should not be like that. His complaint was that the council was tightening up and toughening up a bit, was doing some checks and as a result he was not getting his cheques through on time. He was seeking my representations on that.

I do not believe that the taxpayer supports a housing benefit system that encourages inflated rents, and which in this particular case—it cannot be an exception—involves a cheque going from the public purse straight to the new Rachman landlords of the 1990s, who have been encouraged by the Government's policy.

Mr. Frank Field: Those cheques are not going only to the landlord, of whatever kind, as they are often for fictitious tenants.

Mr. Wicks: Indeed, and we have already explored the way in which the Government, despite their annual excitement with the sea air at Tory party conferences, have, in effect, been soft on fraud. There is no doubt about that.

Mr. Lilley: I am grateful to the hon. Gentleman for giving way, and he is making a thoughtful contribution. This specific issue has featured in a number of contributions. Housing benefit is the one benefit that is handled by local authorities. It was not until the Conservative Government introduced incentives for local authorities to crack down on fraud, and penalties when they do not, that they began to take the issue seriously, as they are now doing. I trust that the hon. Gentleman will also welcome the measures that we are taking to give tenants a stake in getting rents down on above-average rented properties from 2 January next year.

Mr. Wicks: Because of Government policy, there is a massive housing benefit system, administered by local authorities. We heard a well-earned tribute to those London Labour councils that are not just talking about fraud, because talk comes easy, but are being tough on fraud. Given the Secretary of State's keen interest in this, will he take the opportunity now—I am happy to give way again—to assure us that local authorities will be able to employ the staff to be tough on fraud in the future?

Mr. Lilley: I can certainly give that assurance. Indeed, they are required to do so. It was the Conservative Government who provided the computer system for 24 London boroughs to co-operate together in combating fraud in London.

Mr. Wicks: I am encouraged to hear that, but it contrasts rather sharply with some of the evidence that the Select Committee on Social Security is hearing from the Secretary of State's offices. On the one hand we hear evidence that every fraud officer saves the taxpayer a substantial amount of money; on the other we are told that the Benefits Agency is not able to employ more fraud staff because of some extraordinary constraints. The economics needs to be looked at. The rapidly increasing amounts that are spent on housing benefit neither enhance true social security nor represent sensible housing policy.

Let me move on to another example. Hon. Members have made reference to family credit. I remember when Keith Joseph introduced family income supplement in the House. I was not here, but read about it as a student of social policy. I recall that the cost was some £4 million or £6 million in the first year or so. I do not think that he would have ever dared imagine that spending on family credit would be heading toward £2 billion in a few years' time. We have stumbled into a hole, an expensive new social security policy that is about subsidising the exploitative employer. We cannot easily persuade our constituents as taxpayers that the social security pound should be spent on subsidising low wages.

There is a clear difference between the political parties. Our arguments for a decent employment policy and a minimum wage are mainly about justice and the fairness of the case, but they are also about using social security pounds effectively. If social security pounds are going to be scarce in the future, as they will be under any Government, it is absurd that we are developing new initiatives to introduce social security programmes for single and childless couples in recognition of low wages.

Another paradox of new right politics is that the belief that we should not intervene economically and in the labour market, and certainly not make employers pay decent minimum wages, means that the state, commanded by the new right, has to intervene socially through the social security system in a massive way which no Labour Government would ever have dreamed of doing. Soon, almost £2 billion will be spent on family credit because of Britain's low wage policy.

The third example is income support. Beveridge envisaged national assistance, later supplementary benefit, simply as a safety net. There was to be a national insurance framework and, if people fell through that, for a period of weeks or months they would receive national assistance. Income support has now become in part a major and often long-term social security programme to support one-parent families. Life on income support is a grim life for such families. I do not believe, as saloon bar homily would have us believe, that income support provides a good standard of living, a life of Riley. It provides a terrible standard of living for those mothers and their children, yet, this day, seven out of 10 one-parent families are dependent on income support. The Government have never said that one of their social security objectives is to use income support in that way. It has happened partly because Britain has failed to develop a decent family policy.

We are having to spend increasing amounts of different social security benefits on what is essentially, yet implicitly, an early retirement programme. Increasingly,

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many adults, particularly men, are thrown out of the labour market in their 50s. They then have to get by on invalidity benefit or income support with no prospect of work, waiting for their retirement pension. We are now spending substantial amounts of money on that, and again that is a misuse of social security policy.

We need to liberate the language of social security from social security jargon. The issue is how we promote true social security in Britain. That is an important question when a feel-good factor is absent because there is a feel-insecure factor. If one is concerned about social security, it should not be confused with social security benefits. One starts not with state benefits but with the foundations of social security in a society. The two crucial ones are employment and a strong family.

Employment has to be the major social security policy. If employment prospects are wrecked and worklessness encouraged, social insecurity is promoted. I mentioned the men thrown out of the labour market. Let me give a statistic because, unlike other hon. Members, I believe that statistics should promote good argument. At present, one in three men aged between 55 and 59—not the five years before retirement, but earlier than that—are not in work. Only two in three are in employment. Yet we have futile debates in the House about whether the retirement age should be 60, 63 or 65, as if that had meaning for the vast proportion of our people. One in three of those men are out of work. A minority of that group are technically unemployed, the others are called economically inactive.

If some of the economically inactive are new lottery winners, good luck to them. Frankly, new lottery winners will need a good deal of luck if the lottery prize is not to destroy their lives, but most of them are people who have either had to take redundancy packages or have been forced out of work. What we have seen is the rise of the inactive society in Britain. Because of the failure to move back towards full employment, simply too many of our citizens are economically inactive. That is bad news for them and for their families—most do not want it—but it is also bad news for the economy and the social security budget.

I bring my remarks to a conclusion. *[Interruption.]* I welcome the encouragement of the Opposition Whip, who I know would like me to go on longer, but I will not. I shall disappoint him as usual. Never please the Whips all the time.

The role of the Department of Social Security in the future is as a promoter of social security in the wider sense at which I have hinted. The Department of Social Security should not just be obsessed with state benefits. It should ask what are the trends in our society that make for social insecurity and what is the role of Government in promoting social security. The great failure to develop a family policy in Britain is a classic example. The rise of the single, unmarried mother is consuming more and more of the social security budget. Who in Government is taking hold of that issue and asking what are the preventative policies? *[Interruption.]* Apparently the Minister of State is. If so, he must be less silent on the issue. Who is asking what can be done about that trend, what are the implications for education in schools and for family planning, and what are the wider implications?

One could say that that is not the job of the Department of Social Security. The problem is that it is no one's job. In the old days, we had a thing called the joint approach to social policy. The Department of Social Security must become the major advocate for a joint approach to social security in the future. There is an absence now of clear social security objectives. If we could agree on clear objectives, we would see, as I hope that I have argued, that much of the billions of pounds of expenditure is now wasted; it is not used usefully.

I end with this point. At the moment, there is a correlation between the highest-ever levels of social security spending at a time of record levels of social insecurity. How we move away from that is the key challenge for the future.

6.26 pm

Mr. David Shaw (Dover): I begin by congratulating two people without whom tonight's debate would not have been possible. First, I congratulate my right hon. Friend the Secretary of State on his Mais lecture speech—it seems like ages ago now, but I believe that it was two years ago—when he started the debate and we began to realise that there were real questions about the affordability of our social security system, especially if changes were not made.

Some of those changes have been made and some of them have been tough for the Government. One will not please all the people all the time if one is having to say that there will not be benefits for certain groups of people in the future, or that benefits will be curtailed or restrained. Those are tough decisions that must be taken sometimes if one is to run a country on a fair and just basis so that everyone has opportunities in the future.

I also congratulate the hon. Member for Birkenhead (Mr. Field) who chairs the Select Committee. He has given us a most enjoyable time discussing this particular subject. We have dealt with many subjects, but on this one we have been able to range widely. We have had much enjoyable debate. There have been times when the hon. Gentleman has been put on the far right of, dare I say, every member of the Committee, and there have been times when the hon. Gentleman has resumed his traditional political position and his position in the centre of the Committee. It has been stimulating. We are confident that the hon. Gentleman finds it easy to stand in for any member of the Committee who may be absent on occasion and put his point of view no matter at which end of the political spectrum that member of the Committee is. Therefore, we have been able to ensure that virtually every perspective has been discussed.

Having said that, I find it sad that our report should cost £28 while the Department's annual report costs £16.35, a total of £34.35. Most people on social security will not be able to buy those reports. It is ludicrous that something that affects so many millions of people cannot be brought into their households because they cannot afford it.

Parliament and the Department must consider how to make the reports more widely available. I note from parliamentary answers that no more than 1,000 copies are sometimes available to a population of 57 million. I do not imagine that every man, woman and child in the country will want to read the third report of the Select Committee on Social Security, but many millions might be interested. I have long promoted the Internet and the

information super-highway, and I hope that the Department, the Select Committee and the House as a whole will consider ways of providing a wider population with the reports by electronic means.

Our report started from the beginning, as it were, and asked, "Where is it all going?" Social security currently costs the country some £85 billion; the figure was heading towards £100 billion by the end of the decade before certain changes were made, and it may still touch that amount then. Social security spending amounts to nearly one third of public expenditure, and it has a habit of growing regardless. More people try to claim each year, and although many may cease to be eligible as a result of a change in their circumstances, claimants nevertheless form a never-ending group.

That causes problems. The main purpose of the original system was to help those in genuine need, but, given the fraud and abuse statistics, there is no doubt that it has failings. It does not always help people in genuine need; it provides money for households where the need does not exist, or is not as great as the claim suggests. We must do more to ensure that those in genuine need benefit.

We must also ensure that those in temporary need do not become permanent claimants. In many parts of the United States, two-year limits are being suggested in regard to certain types of benefit. Although such limits would clearly not be appropriate for, for instance, the disabled, they would be appropriate for other groups. We should provide incentives to encourage people to work, especially those on income support and unemployment-related benefits.

As the report points out, one of the main problems is that the social security bill has grown enormously as a proportion of gross domestic product. In the mid-1970s, when we last had a Labour Government, the proportion was 7.4 per cent.; today, even after many years of Conservative government, it is 12.6 per cent. I freely accept that that is an appalling state of affairs. The fact is that, regardless of which party has been in office, the social security bill has increased.

One good aspect of the way in which the bill has increased under a Conservative Government, however, is the fact that we are now putting nine times as much into benefits for the disabled as Labour did in 1979, the year in which we came to office. Some of that growth has benefited worthy recipients—genuine people whom we wanted to help. None the less, there is no doubt that some of the increase relates to less deserving groups.

The Joseph Rowntree Foundation and others produce reports suggesting that the growth in the social security bill can continue, but I question the validity of their assumptions. I do not believe that the vast bulk of people want the growth to continue; they recognise that we must invest in industry, technology and business, and that we cannot afford to put ever more money into social security. We must consider our international competitiveness.

We must also consider the way in which incentives operate. Many would say that, rather than being designed to help people to go to work, they are often designed to help them to stay away from work. Many would say that they are designed to help people to claim, rather than cease to claim. Many would say that they are designed to promote personal irresponsibility rather than personal responsibility. We should deal with such issues increasingly as the social security debate continues, as our Committee intends it to do.

In our report, we tried to take account of the possibility of gaining knowledge from other countries, in the context of our competitiveness in business, industry and public expenditure. If our expenditure is too great compared with that of other countries, our taxes and other disincentives will also be too great. We found that in Japan few if any single mothers are kept by the state: the family takes much more responsibility. We also found that the elderly are often cared for by their families, and do not impose a cost on the state.

There is no doubt that Sweden has a wonderful social security system, but the Swedes do not pay much for it. They have borrowed heavily from overseas, but they must pay the bills in the next century. There are doubts about whether they can afford to do so, as their national debt is now more than 100 per cent. of their national income. Ours is less than half our national income.

Many problems will arise in the next century, especially in relation to the elderly, owing to the demographic structures that now exist in many European countries. Reference is often made to the inter-generational contract, whereby one generation's contributions pay for the pensions of elderly people. That will be questioned in the future, however, simply because there has not been enough provision in the past for the pensions of the future. We must consider how we are to meet some of the commitments that have been made. My right hon. Friend the Secretary of State has already amended the state earnings-related pension scheme for purposes of affordability.

I should have liked to say more, but my main point is this. I hope that we shall consider ways in which the private sector can make a greater contribution in the future. Will contributory, non-contributory or income-related benefits point the way forward, or will the state have a smaller role? Will savings and the private sector provide more? I hope that my right hon. Friend the Secretary of State will come up with low-cost saving schemes in the next few years, and that the Chancellor will support them, so that many more people can have pensions in the future—especially those on low incomes.

I thank the hon. Member for Birkenhead for a report—much of it the result of unanimity—which, I hope, will take the social security debate into a new phase. I trust that we shall have many similar discussions in which we can explore one of the most important issues facing the nation in the next decade and beyond.

6.38 pm

Mr. Donald Dewar (Glasgow, Garscadden): Like everyone else, I welcome the fact that this debate has taken place. It has not been over-well attended, but I congratulate the Ministers on the Front-Bench team. They are all loyally in their place, especially the new recruits on parade. The meaning of flexible labour and labour mobility has been given a new definition by the experiences of the Department of Social Security team in recent times. I thought that perhaps the Department was being used as a boot camp under the watchful eye of the Secretary of State for Social Security to put the younger raw material into some sort of shape.

At any event, I congratulate everyone who has attended the debate today and especially my hon. Friend the Member for Newham North-West (Mr. Banks)—who left just one minute ago but who has sat loyally throughout

[Mr. Donald Dewar]

the debate and who made a speech—because he is the only one who could not, in social security terms, be described as a usual suspect in our exchanges.

I seriously congratulate my hon. Friend the Member for Birkenhead (Mr. Field) and the Select Committee on Social Security. Its report is a valuable analysis. In conveniently packaged and presented form, it gathers together some important facts, and some opinions that, as he, I think, justifiably recorded, were held with remarkable vehemence by the various combatants during their evidence. The report must look forward because it is incomplete. It is a starting point and not a finishing point and it raises issues that are of fundamental importance.

Sustainability has become something of a buzz word for politicians in a number of sectors, but it is important as a defining factor in social security as well. There is an argument about what it means, and about whether there is a point of no return for social security expenditure and, if there is, where that point is reached. It is not possible to define it in that way as clearly there are burdens that are hard to bear and that one may feel one must bear as a Government and community. Clearly, the point of no return is a combination of the fiscal pain, the political will and the social judgment about the social casualties that may result if that burden is not shouldered.

All those problems interrelate and bear on each other. They cannot, of course, be reduced into one formula that can be applied irrespective of circumstances at any given time. I take the simple view that there is not a predetermined proportion of gross domestic product that one can say must never be breached, and where, when one has reached it—if one has brought expenditure down to it—one can rest in peace for ever and a day.

I was interested in the exchanges in our economic debate yesterday, when the Chief Secretary to the Treasury paid his touching tribute to the late R. A. Butler for having in 1955 brought public expenditure as a share of GDP down to 33.5 per cent. Then, in a gracious but inevitable anti-climax, he said that he did not think that he could achieve the same thing. Of course, he is right: he cannot achieve that and none of us could achieve that. It is wrong to conduct the debate in that way.

We must consider the problems. Some interesting points have been made about some of the new problems and difficulties that will emerge. We must try and balance them against the ways in which they can be tackled, both in the private and public sectors, because, of course, both have a role to play, and we must try to tackle them against the fiscal circumstances that the Government of the day face.

I am strongly in favour—it would be astonishing if I was not—of further information and having a debate that is based on public information and a well-informed public. It will, I hope, not discourage the Secretary of State to know that "The Growth of Social Security" is a document from which I probably quote more often than any other, because it does, especially if one reads the small print at the foot of the tables, give a fairer picture than is sometimes given of the position in which we find ourselves. I also often quote and find useful the document that the Department produced on international comparisons.

It is possible to argue that the European Union is spendthrift in its approach to social protection expenditure. That is a fair point to make, although I do not necessarily accept it, but it is still interesting and important to recognise, as someone mentioned earlier, that social protection expenditure as a percentage of GDP in this country is lower than in the European Union in general.

It is important that we do not forget the pressures that demographic factors will bring to bear, at least until 2030 to 2040, but it also worth remembering—to quote from paragraph 35 of the Select Committee on Social Security report—that

"This country is forecast to move from having one of the most burdensome dependency ratios in 1980 to one of the least severe in 2040."

There is nothing permanent about these states, although it is important that those factors are always borne in mind. I am therefore strongly in favour of information. It helps me, so it is a selfish point, but I hope that it will help the debate as well.

I also appreciate—I do not have time and it would be wrong to run them through them in detail—the report's points about particular sectors of interest and pressure. Housing benefit has been mentioned. Of course housing benefit is a great growth area of expenditure and it is common ground between myself and the Secretary of State that, whether the policy was right or wrong, it can be traced back directly to Government policy.

Of course, I want the problems in relation to lone parents to be addressed, but I would state the problems, not in terms of a judgmental condemnation, and certainly not in terms of the scapegoating politics that appeared at least in some parts of Government some 18 months ago, but much more in terms of why, for example, over the years, the number of lone parents in work as a percentage of the total has dropped so substantially. Why has that happened? Given that it has happened, if we can understand why, does it help us to find out how we can get over the problem by offering opportunity to those in that group?

My hon. Friend the Member for Birkenhead has probably a more directive view of the social security system than me and possibly the Secretary of State, who has fairly said that he does not believe that one can necessarily change social habits by diktat or Government exhortation. I think that paragraph 57 of the report contains an interesting hint that may or may not represent the mind of the Committee. It remarks, in discussing the group of lone parents who have not had a long-standing relationship that has broken down to produce lone parenthood:

"How to question the wisdom of this trend, while not blaming the single parents as a group, will call for great political skill. The Committee will be looking in its future sessions at ways by which their route to (never married) single parenthood can be closed."

I do not know what inference is to be drawn from "can be closed", but I await with some interest how that will be achieved. It is a phrase that has already been commented on to me by quite a number of interested groups, usually with some lack of favour, but of course we will wait to see what emerges at the end of the day.

In its preliminary description, the Committee is right to draw attention to the fact that, for example, some member of at least half of this country's households receives means-tested benefits. It is right to draw attention by

implication—and I am glad that the hon. Member for Dover (Mr. Shaw) and figures of great respectability in terms of their dryness have signed the report—to the fact that a contradiction may exist between the condemnation of the growth of means-tested benefits and the by-products of the introduction of, for example, jobseeker's allowance and, to a large degree, incapacity benefit. There are therefore many interesting and important matters to be considered.

Unfortunately, I do not have time to talk about fraud at any length. I have said already in other forums that it is unfortunate that it has taken us so long to get down to the interesting and important job of trying to define what fraud consists of. The Public Accounts Committee considered that problem in its 58th report published on 27 October 1993. At that time, we were told that efforts would be made for the first time to define the types of fraud. It has happened only now and it is a little belated, but from it some interesting points flow.

I was slightly surprised to discover that the front-line attack on fraud would come from home visits. I endorse the point that, as some of my hon. Friends said, if there are to be home visits, they should be ensuring not only that fraud and abuse do not exist, but, at the same time, that proper entitlement that has not been taken up is taken up.

There should be a double purpose for home visits, but I cannot help saying to the Secretary of State that, from contact with the Benefits Agency, my understanding, and I may be wrong, is that, over recent years, home visits have positively disappeared as a result of Government policy. It is a little strange that we are now told that they are to be revived because they are an essential way of fighting fraud. The best thing that we can deduce from that is that fundamental errors have been made in the past.

Mr. Corbyn: Will my hon. Friend give way?

Mr. Dewar: If my hon. Friend will forgive me, I am under pressure and I have given an undertaking to allow the Secretary of State some time to reply.

If the findings of the survey on fraud are accurate, in that only about 12 or 13 per cent. of the total fraud loss came from impersonation, forgery or the stealing of order books and giros—I do not believe that my hon. Friend the Member for Birkenhead would accept that, judging by his passage on organised fraud—it puts a question mark against the savings that the Secretary of State expects to achieve with his benefit payment cards system. The vast majority of the fraud identified involves people who are working and claiming what they are not entitled to or people who pretend to be single when they are in fact cohabiting. Those things will not be dealt with by the benefit payment cards system.

I am not taking a hard line on this but, given that the vast majority of fraud will not be touched by that system, the expected saving from the 19 million cards that are to be issued, at an initial cost of £135 million and an estimated running cost of £77 million, could usefully be reassessed.

I am sorry that my speech has to be so brief, but perhaps we can find another forum in which we can discuss this. It would be helpful if the Minister could say a word or two about a subject raised in the report, which provoked—if that is the right word—the Committee's visit to Switzerland. I am talking about the suggestion about localisation which followed the Mais lecture.

I remember the arguments about that and I thought that they had been laid to rest, particularly the arguments about different levels of benefit in different parts of the country. It was raised again on 9 July in *The Independent on Sunday*. It was a prominent story entitled:

"Tories plan 'regional dole rates'".

It said that the cost of living in London is 17 per cent. higher than the national average, and that in Newcastle it is 12 per cent. lower. It suggested that the Secretary of State was considering whether that differential should be reflected in the rate of unemployment and other benefits.

I understood that that was not on the Secretary of State's agenda, but it would be worth hearing that from him again. It is unusual for a story such as that to appear without at least some prompting—*[Interruption.]* Well, the Secretary of State can deal with the matter quickly. In the original Mais lecture, the Secretary of State said:

"It is harder to mobilise local pride"—

that is, under the present system—

"to generate positive alternatives to welfare dependence."

Although I approve of the sentiment that we want to end welfare dependence, given the recurrence of the story, it might look as if that principle still lives. If it does, it should be the subject of an important debate. It would be helpful if the Secretary of State could say a word or two about it.

I am sure that the House will believe me when I say that I would like to have covered many other things. The Committee's report is descriptive, not prescriptive. It draws attention to the framework for the future and for a continuing debate, which I welcome. There is a long way to go.

I was interested in paragraph 101, which neatly sets out the future work pattern for the Committee and answers some of the questions with which we are familiar—by "we", I mean those of us who have read the latest book by my hon. Friend the Member for Birkenhead, "Making Welfare Work". That book gives a hint about the future of the social insurance principle and so on. It outlines what my hon. Friend thinks should be the future shape of events. It will be interesting to see whether he can carry his Committee down that road as things unfold. Although he expresses his belief in the social insurance principle in a much stiffer way, its general outline is very much in line with what was said by the Commission on Social Justice.

I recognise that there is great public and political anxiety about where we are going. I may be wrong, but I imagine that the Secretary of State will be saying a word about the Labour party's position. He is not a man who can always resist temptation and I believe that I am safe in that assumption. The Labour party is in hot water with the Secretary of State because it persistently refuses to live up to the caricature that he loves to think is alive and well. The right hon. Gentleman is learning the hard and painful way that it will not sit up to be shot at just to please the Secretary of State.

The Secretary of State intervened briefly to suggest that the Labour party was in some way being unreasonable by continuing to stress that work should be worth while and that people should not find it financially advantageous to remain on benefit or give up work to remain on benefit. If he thinks that that is unreasonable, he must get used to that sort of unreason from the Labour party. I believe that that is a common-sense approach and that it is right for the future of the welfare system and for those who, at least on a temporary basis, have to use it.

[Mr. Dewar]

We shall continue to argue a responsible approach based upon social need and a system which we hope will reward those who take up the opportunity that it offers while protecting families, children and the vulnerable.

A number of detailed plans have already been unveiled on welfare into work, and more will follow. The argument is still to unwind, but the general approach set out by myself, my right hon. Friend the Leader of the Opposition and others is right. The application will be different from that which is emerging in Government policy. However, we all believe that that is a matter for the electorate to settle, and on that basis I watch future developments with some confidence.

6.56 pm

The Secretary of State for Social Security (Mr. Peter Lilley): This has been an interesting debate and the standard of speeches, notably—as one would expect—from members of the Select Committee, has been high. Speeches have been made by the hon. Member for Birkenhead (Mr. Field), the Chairman of the Committee, by the hon. Member for Croydon, North-West (Mr. Wicks) and by my hon. Friend the Member for Dover (Mr. Shaw).

There have been some nostalgic speeches from old Labour in the shape of the hon. Members for Newham, North-West (Mr. Banks) and for Islington, North (Mr. Corbyn). There was the customary elegant speech from the hon. Member for Glasgow, Garscadden (Mr. Dewar). With his characteristic courtesy, he curtailed his remarks so that I would have time to reply. I am grateful to him and the least I can do is respond to his specific question about localisation and the reports in the newspapers.

The hon. Gentleman expressed the belief that, when something appears in the newspapers, it might automatically have some foundation. I can assure him that that has not been my experience. I do not know the origin of the story, but the hon. Gentleman is correct: when I talk about the proposition that, whenever we make a change, we should see whether there is any scope for localisation of the delivery and handling of the benefit, I am not thinking in regional terms or of differences in regional rates. The regional variations in living costs to which the article referred represent mainly the difference in housing costs. The system already reflects that difference through the fact that housing benefit is related to the level of rents in each area.

I am looking much more to the type of changes that we have introduced on a large scale, through community care, and on a smaller scale, through the changes that I have announced in housing benefit that give greater discretion to local authorities in the handling of that benefit from January next year.

I particularly welcome the Committee's report on the review of social security expenditure. That report and much of today's debate show how dramatically views on the reform of social security have changed since I called for a national debate in my Mais lecture two years ago. At that time, there was a widespread view that all that our system required was a removal of any restraints on higher spending. In his report "The Future of Welfare—A guide to the Debate", the Labour academic John Hills blithely suggested that there would be nothing wrong, in the long term, with spending an additional 5 per cent. of gross domestic product on social security. By contrast, in this report, a Labour-chaired Select Committee now accepts that the

"growth of Social Security spending is a cause for concern."

I recognise that the more realistic position taken by the Committee owes a lot to the hon. Member for Birkenhead, who is almost the only Labour Member who is prepared to face the facts. The very fertility of his ideas should shame his Front-Bench colleagues out of their reluctance to come up with some new policy ideas. To be fair, there were some hints from the hon. Member for Garscadden that they would be more forthcoming in future. I welcome that.

My medium-term objective when I announced the review of social security spending was not to cut spending, but to stop it outstripping the nation's ability to pay. As I never tire of pointing out, on average, just financing social security costs every working person almost £15 every working day. The cost was set to grow faster than gross domestic product, as it had been doing. Reform obviously takes time. As the hon. Member for Birkenhead said in his recent book:

"changing the social security budget can be compared to navigating a great oil tanker . . . once a decision is taken it is a full three miles before any further impact can be made on the direction of the ship."

The hon. Gentleman granted himself a rather generous 20-year horizon for his programme for reform of the welfare state.

Reform takes time because most change requires legislation. If, as I usually prefer, changes affect only new claimants, their impact takes time to build up. Nevertheless, the changes that have already been announced should reduce the growth of spending by £4 billion a year by the end of the century and by more than three times as much in the longer term. As it happens, growth in social security spending in real terms during my first three years—which the hon. Member for Birkenhead suggested marked a period of failure—has been less than the underlying rate of 3.3 per cent. a year, although I accept that that is as much to do with the economic recovery as to do with the initial impact of my reforms, which will take a considerable time to build up.

The real measure of success against which I wish to be judged will be the reduction in the underlying rate of growth in social security. The measures that I have announced should cut the rate from 3.3 per cent. a year faster than inflation to just 1.3 per cent. a year over the next three years, settling at about 2 per cent. thereafter. I do not pretend that that is necessarily enough, but it does mean that the share of GDP taken by social security, which has almost trebled since the war, should decline gently henceforth.

If Opposition Members complain that spending is still growing too rapidly, they should remember that the Labour party has opposed almost every reform that I have introduced. In effect, the Opposition are telling taxpayers that they want them to cough up the best part of £4 billion a year extra during the next Parliament and £14 billion a year extra in the long term—and that is before implementing any of their, I regret to say, still profligate spending plans.

The Select Committee was right to recognise that the growth of social security spending is a matter of concern not just because of the tax burden it imposes on people, but because it reflects a growth in welfare dependency. I

hope that all of us would prefer people not to be dependent on benefit, but to be self-sufficient. The report illustrates the extent of dependency with the claim, which I am happy to say is mistaken, that half of all households contain someone on income-related benefits. That is incorrect. Some 27 per cent. of all benefit units contain someone on income-related benefits and about 30 per cent. of households do. That is still too high, but it is well short of the 50 per cent. suggested in the report.

Mr. Frank Field: The right hon. Gentleman should convey that view to the Prime Minister, who used those figures in an article in *The Daily Telegraph* the day before his re-election as party leader.

Mr. Lilley: I have a feeling that my right hon. Friend the Prime Minister was generously quoting the hon. Gentleman, thinking that his figure had been audited. I am happy to put the record straight.

I want to take this opportunity to address a specific issue raised by the hon. Member for Birkenhead in his recent book, which was mentioned in the Select Committee report. The book "Making Welfare Work" is, like everything the hon. Gentleman writes, full of erudition, fascinating insight and interesting analysis and I agree with much of it, but in the final section he makes a number of assertions, as he did in his speech today, about the role of means-tested and contributory benefits which I venture to suggest are mistaken.

The hon. Gentleman states that the Government have pursued a policy of increasing the number of people on means-tested benefits at the expense of contributory benefits. I do not think that that was ever a deliberate policy of this Government—or, indeed, of previous Governments of most complexions, as there has been an increase in the number of people on means-tested benefits over a long period.

The hon. Gentleman knows that that growth primarily reflects three things—first, the growth in lone parents, which is the largest single cause of the increase, and he does not suggest that that could be replaced by contributory benefits; secondly, the impact of the earnings dispersion affecting lower-skilled workers, a subject with which I have detained the House frequently and which I spelt out at some length in my Ulster lecture; and, thirdly, the transfer of support for housing from bricks and mortar to housing benefit, which is a means-tested benefit.

I have certainly not had a preference for extending means testing as an end in itself. In my Mais lecture I criticised those

"proponents of means tested benefits who emphasise the fiscal savings but tend to ignore the disincentives on claimants."

I emphasised that other methods of targeting benefits were usually preferable to means testing. As a result, most of the reforms that I have made have involved such methods—changing or tightening up on conditions of entitlement other than people's financial means and making benefits, where appropriate, more conditional.

For example, my main changes involve equalising the age of entitlement to state pensions for men and women and ensuring that incapacity benefit goes to those genuinely incapable of work. Both remain contributory benefits. Only a tiny fraction of the £14 billion of savings announced so far—some £200 to £300 million—arises from the one reduction in the contributory element, that which relates to the jobseeker's allowance. That will be offset by other measures that will reduce reliance on means-tested benefits.

I have explicitly ruled out means testing the state pension because that would penalise and discourage people who make additional provision for retirement. The contributory basic pension provides a platform on which people can—and, I am happy to say, increasingly do—build extra pension provision. Indeed, as a result of that, the proportion of pensioners who rely on income support has fallen since income support was introduced. That is an area in which there has been less reliance on a means-tested benefit.

The hon. Member for Birkenhead is not being remotely realistic when he suggests that contributory benefits could replace means-tested benefits for everyone who is out of work, thereby—as he implied—restoring incentives, eliminating fraud and saving money. In the first place, any form of unemployment benefit, whether contributory or not, must be means tested against earnings. Both unemployment benefit and income support are withdrawn if people earn more than a certain amount. Consequently, both contributory and non-contributory benefits for people who are out of work are equally likely to act as a disincentive to work and to create opportunity for fraud through working without declaring the work.

The suggestion that replacing income support and housing benefit by contributory benefits could save money is simply untenable. All of us who look realistically at social security know that there is a great prize to be gained if the budget can be curbed, but we also know that there is a political cost to be borne from those who have to forgo the money that we save.

We would all love to find a philosopher's stone that enabled us to spend less without creating losers. The hon. Member for Birkenhead seems to think that replacing means-tested benefits with contributory benefits is the stone. If it was, I should have no hesitation in stealing it from him, but, alas, there is no such thing in the sphere of social security as a philosopher's stone that would enable us to curb benefits without creating some losers.

A switch from means-tested to contributory benefits could save money only if some people who currently get means-tested benefits did not get the contributory benefit that replaced it. I am sure that the hon. Gentleman does not seriously propose to let people who have not been able to pay contributions starve or go without benefit. He plans to pay their contributions for them out of taxation so that they would still get benefits. It would be much like the present system, but with the names changed.

I will believe that the hon. Gentleman's system offers me the prospect of savings when he tells me who will be the losers from it. He is more forthcoming about who will be the winners. He implies that people who are not in work but excluded from benefit because they have a working spouse or sufficient savings to support themselves will be entitled to benefit. The cost of that would be very considerable indeed.

I hope that we can all agree that the best way to save money, and the way in which we are all obliged to seek to save money in the social security system, is by curbing fraud and abuse. I am glad that all hon. Members who have mentioned the subject have supported that view. The attack on fraud has always been a priority for me, and the Department has been increasingly successful in detecting

[Mr. Lilley]

and stopping it. The figures that I announced this week show that some £717 million of fraud was detected—well over £60 million ahead of the target that we set ourselves.

A couple of hon. Members suggested that we are not being sufficiently vigorous on housing benefit fraud; it is expected that an additional £170 million—double the savings last year—will be saved in the current year. That is in addition to the savings made by the Benefits Agency and is the result of the changes that we have introduced to incentivise local authorities to set about combating fraud in their areas. Many of them simply were not doing so before. In future, they will be penalised if they do not. They will be helped by the computer system that we have provided, initially for the London boroughs but which will possibly be extended nationwide, if it works, to help combat cross-border housing benefit fraud.

However, prevention is better than cure. We have been developing a strategy that is a quantum leap from a system based on detecting fraud that has already happened to one that prevents and deters it. In the past, we have been hamstrung by our ignorance of how much fraud there was and what sorts of fraud were going on. Unfortunately, those who defraud the system do not report to us. No one reports fraud as people report other crimes.

No other country has, up to now, found a means of measuring the amount of fraud. I have been wrestling with the problem since I came to the Department. During the past year or so, we have been carrying out pilot studies. We have tried to involve outside research bodies.

We have finally developed a system of benefit reviews which, I believe, represents a breakthrough, nationally and internationally, in providing us with a measure of fraud and a baseline against which we will be able to measure future success in preventing it. That, in turn, has enabled us to spell out our strategy and the three main methods that we are proposing in a programme of 20 different projects, details of which I have put in the Library.

First is the benefit payments card, which is designed, first and foremost, to stop abuse of the payments order book system. It will also contribute to the elimination of identity fraud, but the savings on abuse of the order book system—the giro system—will provide substantial savings that, alone, are sufficient to justify the change we are making.

The second method is more home visits and checks on people to ensure that they do not make a fraudulent or false claim initially and do not subsequently become false claimants through failure to report a change in circumstances which renders the original claim invalid. The third string to our bow is more data matching and the use of information technology so that we can identify false claims and focus our effort on areas where false claiming is greatest.

The programme that I have announced has generated a very positive response nationwide, as have the changes and reforms that I have introduced in the welfare state as a whole. Indeed, I found myself the recipient of rather unfamiliar praise from newspapers such as the *Independent* and the *Evening Standard*. That seems to have provoked the Leader of the Opposition into a speedy attempt to sing our song in another outbreak of karaoke conservatism, as I have labelled it in the past.

Hon. Members will recall that, last October, the Commission on Social Justice published its report. Most commentators rightly dismissed it as 400 pages of uncosted waffle, but the right hon. Member for Sedgefield (Mr. Blair) begged to differ. After all, it had been commissioned by his predecessor and was the product of almost three years work by 16 prominent Labour sympathisers. He described the report as

"a remarkable piece of work . . . undoubtedly the most significant and comprehensive analysis of the welfare state since Beveridge . . . The Labour party",

he pledged,

"will now discuss the proposals themselves."

Yesterday, the right hon. Member for Sedgefield gave another speech on welfare. He did not mention the commission or its proposals. Instead of 400 pages of uncosted waffled, it contained only 400 words of—hon. Members have guessed it—uncosted waffle.

The right hon. Gentleman went on to indulge in imitation—which, I am told, is the sincerest form of flattery—of my approach to the welfare problem. He first followed me by setting out six principles. He then tried to do so by aping Tory language, but Labour's approach has only three principles. The first is to mimic Tory rhetoric. The second is to oppose any policies that are actually consistent with that rhetoric, and the third is to avoid any commitment to specific policies of its own. In short, Labour's only consistent welfare policy is hypocrisy.

As the hon. Member for Birkenhead said, reform of the welfare state is becoming the central issue of the politics of our time. It is the key problem facing all Governments worldwide. It will be a key issue in the forthcoming general election, as it was in the major election upset in the United States. This debate has shown that we are winning the welfare debate. I believe that that bodes well for my party and for the country.

7.18 pm

Mr. Frank Field: The debate has shown, at least to me—and this is a surprising finding—how limited is the Secretary of State's view of the impact of social security changes on people's character. While he may worry about new Labour, we clearly have no need to worry about old Toryism. I think that we will continue this debate on Monday.

Question deferred, pursuant to paragraph (4) of Standing Order No. 52 (Consideration of Estimates).

Class III, Vote 3

Animal Diseases (Prevention and Control)

[Relevant documents: Fifth Report from the Agriculture Committee of Session 1993-94, Health Controls on the Importation of Live Animals (House of Commons Paper No. 347-I), the Government's reply thereto, Cm. 2735 and the Ministry of Agriculture, Fisheries and Food and the Intervention Board Departmental Report 1995: The Government's Expenditure Plans 1995-96 to 1997-98, (Cm. 2803).]

Motion made, and Question proposed.

That a further sum, not exceeding £263,921,000, be granted to Her Majesty out of the Consolidated Fund to defray the charges that will come in course of payment during the year ending on 31st March 1996 for cash limited and demand led operational expenditure by the Ministry of Agriculture, Fisheries and Food to: promote food safety, take action against diseases with implications for human health, safeguard essential supplies in an emergency, and promote action to alleviate flooding and coastal erosion; to encourage action to reduce water and other pollution and by other measures to safeguard the aquatic environment including its fauna and flora, to improve the attractiveness and bio-diversity of the rural environment and protect the rural economy; implement MAFF's CAP obligations efficiently and seek a more economically rational CAP while avoiding discrimination against UK businesses (including expenditure on existing CAP measures and schemes), to create the conditions in which efficient and sustainable agriculture, fishing and food industries can flourish, take action against animal and plant diseases and pests, encourage high animal welfare standards; provide specialist support services and allocate resources where they are most needed; provide for some inter-agency payments and undertake research and development.—[*Mrs. Browning.*]

Madam Deputy Speaker (Dame Janet Fookes): With this, it will be convenient to discuss vote 4. I should inform the House that Madam Speaker has selected the amendment in the name of the leader of the Liberal Democratic party.

7.19 pm

Sir Jerry Wiggin (Weston-super-Mare): I am delighted to have this opportunity to debate issues raised by the Agriculture Committee's inquiry into health controls on the importation of live animals. I note that Madam Speaker has selected the amendment in the name of the Liberal Democrats, and I understand that the subject that they wish to raise is about the health of animals within the United Kingdom. I shall not, therefore, go down that road but shall simply deal with our report. I do not wish to minimise the importance of the other subject, which relates to tuberculosis in badgers. As my Committee will investigate the whole of the dairy industry, I have no doubt that we shall receive evidence from the west country on that emotive but important subject during the autumn when we take evidence.

When we set out to do this inquiry, we decided to concentrate on two separate subjects: first, the movement of live animals, particularly farm livestock, into the UK under the new single European market rules; and, secondly—the importance of this area became apparent to us—the rules concerning rabies, quarantine and the importation of pets, particularly dogs and cats. We were fortunate to be advised by Mr. Howard Rees, formerly chief veterinary officer with the Ministry of Agriculture, Fisheries and Food, and the late Mr. Tony Crowley, formerly head of the MAFF rabies section, who had advised the channel tunnel company on rabies prevention. We were shocked to learn that, sadly, he had died shortly after our report was published.

Those who simply believe everything that they read in newspapers may think that our report was only about rabies. It was not. However, the interest in that matter is fully understandable so I shall deal with our findings on rabies and quarantine first. Before doing so, I quote the Government's response to our report as it relates to farm livestock. It says:

"The Committee's investigation of this subject, including those incidents in 1993 linked to imported animals, is a valuable service to the public as it puts the disease threat firmly into perspective and refutes the more extreme and alarming predictions about imported disease made by some in the agriculture industry and the veterinary profession."

We approached the question of rabies in a similar fashion. We were open-minded, sought perspective and appropriate solutions, listened and made recommendations. I may not speak for the whole Committee, but it would not be unfair if I said that at the outset the majority of us felt that quarantine was absolutely necessary. The fact that we then unanimously agreed to move away from quarantine shows that we took evidence with great care. The result is perhaps all the more remarkable for the fact that our initial prejudices were moved.

The deep-seated concern—indeed, hatred, worry and fear—about rabies is well merited. Rabies is an extremely unpleasant disease. If no treatment is given, it results in a lengthy, horrible and painful death. Furthermore, the antidote to a dog bite in a country where dog rabies is endemic consisted of a series—more than 30—of extremely unpleasant injections straight into the intestine. So not only was it a frightening disease but the treatment was none too good, either.

MAFF has been spending some £750,000 a year on advertising the horrors of rabies in all ports, airports and some railway stations. It has been issuing leaflets about the dangers of rabies and a great culture of fear of the disease has been generated.

Let us examine the position as regards human beings. There are two sorts of rabies: fox rabies, which is endemic in Europe; and dog rabies, which is endemic in Africa, India, South America and elsewhere in the world. I have never met a Frenchman or German who worries about getting rabies. Our European neighbours do not regard the fact that some wildlife has rabies as a particularly frightening factor.

Moreover, science for human beings as well as for animals has moved on. I understand that, if one is bitten by a rabid dog in India today, provided that one receives the antidote within two to three days, one would have no problem in surviving. The antidote is now a series of injections—five or six—rather like tetanus, so it is not as frightening as it was. The official advice from doctors if one is travelling in those countries is that, unless one expects to be more than a week away from medical attention, there is no need to be vaccinated against rabies. So we must put the whole matter in context. The world has moved on, and medical science has changed.

Nothing that the Select Committee has recommended or would want to do would increase the chance of rabies entering the United Kingdom. We emphasise that point at

[Sir Jerry Wiggin]

the beginning of our report and say that our recommendations would not endanger the desirable rabies-free status of these islands. I remind the House, however, that the Rabies (Importation of Dogs, Cats and Other Mammals) Order was passed in 1974 and is therefore more than 20 years old. As I said, science has moved on in the human and animal worlds and the current rules are now outdated and expensive. I shall say a word about animal welfare in a moment.

Our recommendations should provide protection at least equal to, and arguably better than, the present quarantine arrangements. We have recommended a belt-and-braces system whereby a pet cat or dog would be permanently identified by tattoo or implanted chip. It would be vaccinated and then tested to ensure that the vaccination had taken. In any event, we have recommended importation of cats and dogs only from Europe and countries where rabies is not endemic.

The present system has two great weaknesses. The first is cost. Various figures have been given to us, but it seems unlikely that six months' quarantine for a dog would cost less than £1,200 and it could be as much as £1,800 or £2,000. For a cat it would be less—£800 or £900. None the less, it means six months' confinement. We all know that smuggling goes on and I have some figures on that. However, the inducement now is to get over those expenses and there is a very positive financial advantage if one can smuggle an animal into the UK.

I shall now discuss animal welfare. My hon. Friend the Member for Thanet, North (Mr. Gale) is sitting behind me. He takes a strong interest in animal welfare matters. I would say to him and to the Royal Society for the Prevention of Cruelty to Animals that to lock up a domestic pet in strange surroundings for six months, if not cruel, is highly stressful. The figures show that a proportion of cats and dogs do die in quarantine, and it is probably accepted that that is frequently a result of the stress induced by being parted from their owners.

We recommended that animals would be allowed into the United Kingdom without quarantine only in certain circumstances. The animals must enter from another European Union state or a country that is recognised as being rabies-free and which carries out appropriate policies to maintain its rabies-free status. They should be permanently identified by a unique number, which should be marked as a tattoo or contained in an electronic microchip. They should have spent at least six months continuously in the approved country before becoming eligible to enter the United Kingdom. Thus, a dog that had come from India would have to pause elsewhere in the European Union for at least six months if it were to be eligible for the scheme, and there are very few cases of dogs carrying rabies for six months.

The animals would have to have been vaccinated with an approved inactivated rabies vaccine at the age of three months or older. About four months after vaccination, a blood test would have to be carried out by an approved laboratory to determine whether the animal is immune from rabies. The four months between vaccination and blood testing would act as a pseudo-quarantine period.

After being blood tested, animals can enter the UK within 12 months of the initial vaccination. If they travel frequently between the United Kingdom and approved countries, they must receive annual booster vaccinations and travel within one month of such vaccinations being administered, and then only subject to a satisfactory blood test.

The pet owner would have to obtain an import licence from MAFF, specifying the port and time of entry into the UK, and the divisional veterinary officer responsible for the point of destination would have to be informed. Finally, the animal would have to be accompanied by a passport giving a record of its vaccinations and its health certification. That is a pretty demanding and onerous requirement—certainly more than we require of any human being that I know. If there was any failure to comply with such requirements, the animal would have to go into quarantine or be re-exported. We recommended that, at this stage, quarantine should be required in all other circumstances.

What are the risks? What are the real risks of a rabid dog entering the country? They are very slight. Since 1972, 100,000 dogs and 50,000 cats have been through the UK quarantine system, of which only two developed rabies—one dog from the United States and one dog from Zambia, countries which, under our proposals, would continue to be subject to quarantine.

It is worth bearing in mind the fact that, as I said earlier, the rabies in Europe—the strain adapted to foxes—is not nearly as threatening to human beings as dog-adapted "street" rabies in other parts of the world. Dogs and cats can contract fox-mediated rabies, but it would seem that they are unable to pass it on.

We have recommended a system similar to that introduced in Sweden. Sweden has been rabies-free since 1886. It has two borders, one with Norway and one with Finland, which are open borders. It has a high reputation for animal health. It wishes to remain rabies-free, yet it has adopted that system. Even more remarkable, when we went on our visit to Denmark, we found there a country with a 50 km open border with Germany, where there is endemic rabies, and not far away—and from time to time a rabid fox will cross into Denmark and cause trouble.

The Danes have gone much further than the Swedes; they have allowed importation of dogs from any country in the world, with a passport, a certificate of vaccinations but no double test. I doubt whether any country in the world relies more for its living on a clean health chit than the Danes do. Their main livelihood lies in dairy and pig products, and without a high reputation for health standards, Denmark would find it extremely difficult to make its living exporting, as it does, worldwide.

In addition, the prevalence of rabies in Europe is decreasing rapidly. The World Health Organisation report shows that, between 1989 and 1994, the annual number of cases of rabies in European Union member states fell from a peak of 8,509 to 1,582, and it continues to fall. That is entirely due to the European Union's oral vaccination programme, using inoculated baits for foxes. We were privileged to have a briefing on that matter. The original bait was chicken heads. The foxes thought that that was quite clever and used to collect them up, 15 or 20 at a time, so it was not the most economical method of vaccination. A new and more luscious bait was therefore devised which apparently produces in excess of 80 per cent. successfully vaccinated foxes. Once the amount of rabies in a fox population has dropped below a certain level, there are not enough host animals to sustain it, so that programme is proving extremely successful. I should

say that it was never our intention that we should import foxes or, for that matter, any other wildlife from the European Union.

The Standing Veterinary Committee in Brussels calculated that, if 1,000 unvaccinated dogs per year were picked randomly from the population and imported into the United Kingdom, it might be expected that a dog incubating rabies would be imported once every 1,250 years. If 5,000 dogs were imported randomly each year from Germany, which is the European Union country with the greatest incidence of rabies, only one animal every 31 years would be expected to be incubating rabies. With vaccination and blood testing, that already remote risk would be reduced even further.

We should consider what motive might drive someone to seek to bring in a rabid dog. Every pet owner wants their pet to be healthy. They spend money on inoculations; they will take it to the vet; they want it as their companion. If some malicious person wishes to introduce rabies into the country, they could have done so a long time ago illegally anyhow, so what are we defending against? The answer must be the cost and welfare considerations.

I have explained that the vaccine technology has changed since the Waterhouse report. The Waterhouse committee was set up after a case about 20 years ago. The modern vaccines were available in the late 60s and early 70s and even then quarantine was recommended, but nowadays there is a substantial smuggling problem. Like my right hon. Friend the Secretary of State for Social Security, who earlier said how difficult it was to find or quantify cases of social security fraud, I fear that we have no way of quantifying smuggling, but it is worth bearing in mind that, between 1985 and 1993, HM Customs and Excise dealt with 492 cases of illegal entry involving dogs and 273 involving cats—and I suggest that that is very much the tip of the iceberg. One does not have to go very far to find examples. Among our forces in Germany, one can hear a good deal of talk about how they might get over some of the little problems, such as the six months of quarantine and the cost involved.

We see the present system as a ludicrous and unnecessary waste of money. We believe that it is bad for animal welfare and distressing for the owners, and that it restricts freedom of movement. I read in an evening paper today that the Battersea dogs home spends £40,000 on advertisements about the problems associated with people turning their pets out at the beginning of their holidays, leaving them on the streets and abandoning them. Pets could go with their owners to Spain, Italy, France or wherever these people go. Much more importantly, the French, the Italians and the Spanish could bring their dogs here. I understand, although it is not mentioned in our report, that the barrier to bringing pets here is a serious inhibition to tourism. If we had the arrangements that we have in mind, people could bring their pets with them and it would be good for business.

The Government's response was that they were quite happy about our recommendations on farm livestock, presumably because they suited the Government's purposes. We remain extremely surprised, however, at the negative response to our recommendations on rabies. I am delighted to see my hon. Friend the Parliamentary Secretary in her place and I am sure that she will wind up with encouraging words.

She will recall that on many occasions we have argued strongly that Ministers, when taking advice on technical matters from their scientists, should do what their scientists tell them. We do not understand why the scientific advice that Ministers are being given on this subject is so at variance with the experience of countries such as Sweden and Denmark. I shall therefore press my hon. Friend to make her case clearly.

This week, the British Medical Association sounded off on the subject of rabies. There followed a series of statements in the association's report, mostly restricted to the basic principle that if we have not had rabies we should not change anything because the system has worked. Of course it has worked. We are simply saying that there is a better way to achieve the same objective. There is quite a piece in the BMA recommendations about foxes—I was a bit mystified by the BMA's apparent expertise on foxes—and the British Veterinary Association took a similar view. It just so happens that Mr. De Vile, who is president of the BVA, served on the BMA committee as well. Presumably his prejudices have been carried from one organisation to the other.

Sir Roger Moate (Faversham): I think that I heard my hon. Friend say a moment ago that he recommended that the Government should accept scientific advice. Does my hon. Friend not cast the BMA and the British Veterinary Association as sources of good scientific advice? Why does he reject their advice?

Sir Jerry Wiggin: I certainly do not. However, if my hon. Friend studied the BMA report, he would find that there is nothing at all scientific about it. It is simply a statement of prejudicial facts, written on BMA paper. It is very irresponsible of such an organisation to produce statements based on prejudice and not on fact.

Mr. D. N. Campbell-Savours (Workington): Is it not the case that, if the hon. Member for Faversham (Sir R. Moate) had been on the Committee six months previously, he would agree with the hon. Gentleman today? He would have changed his mind too.

Sir Jerry Wiggin: I look forward to hearing what my hon. Friend the Member for Faversham (Sir R. Moate) has to say in a few moments.

When the Community passed the Balai directive, the United Kingdom found itself in a difficult position. Here was a directive which said that, if people complied with a series of precautions not dissimilar to those that we have suggested—although somewhat more stringent, I admit—so-called traded dogs and cats could come in and out of the United Kingdom without quarantine. In theory at least, that system has been working for a few months.

The conditions are so stringent that, I understand, the few dogs and cats to have tried it have mostly failed the tests. However, the fact is that the Government, advised by their scientists, are prepared to allow traded dogs and cats to come in and out, but are not prepared to allow this to be the case with pets. What is the difference? What is the difference in risk? Surely the Government are right to agree to the principle. In that case, it is quite illogical not to agree to its extension.

The international panel of experts on animal diseases—the Office Internationale des Epizooties—sees a system of vaccination and blood testing as a perfectly viable alternative to quarantine for rabies. Even the BMA, about

[Sir Jerry Wiggin]

which I was not very polite just now, suggests only that quarantine should remain until additional requirements can be fulfilled. My Committee feels most strongly that the UK should move towards a more rational and appropriate means of protecting our rabies-free status.

I am delighted to see my right hon. and learned Friend the Minister of Agriculture, Fisheries and Food on the Front Bench, and I welcome him to his new position. We look forward to having him in front of our Committee in due course. I hope that he has been listening with an open mind to this debate and that he will, in due course, study our report with care.

We are having to wait until other countries, such as Norway, Sweden and Denmark, have satisfied us that all their precautions work perfectly well. For a country of our size, that is a great pity. In a debate in the other place on 15 March, Earl Howe—then Parliamentary Secretary to the Ministry of Agriculture, Fisheries and Food—hinted that with effective enforcement, alternative systems could provide the same level of assurance as quarantine. That would be a welcome step forward in Government policy since the reply to our report was published. Incidentally, during that debate, of the nine Lords and Ladies who spoke, all except the Minister were in favour of our report and against quarantine.

To deal briefly with the subject of farm livestock, we found that there was considerable feeling about various problems which had arisen, especially in relation to warble fly. Imported animals had clearly been given fraudulent certificates or had simply not been properly inspected before being imported. We had a look to see whether the new arrangements, under the single market, were satisfactory. We considered foot and mouth disease, brucellosis, Newcastle disease, Aujeszky's disease and many others which cause farmers a great deal of concern.

Diseases in animals are detrimental to the animals themselves, to good husbandry and to the wealth of farmers. Disease threatens livelihoods and the survival of businesses. Some diseases are transmissible to humans, putting the health of farmers, farm workers and their families at risk. We in the United Kingdom have never taken lightly the diseases of farm animals, and nor should we. Our island status has allowed eradication of the worst livestock diseases and has prevented others from becoming established.

Our high animal health status has been achieved at great cost and we should not allow the Community's rules, or anybody else's, to reduce that status. Between 1983 and 1990, £38 million was spent on eradicating Aujeszky's disease, of which pig producers contributed £27 million. Indeed, I remember replying to an Adjournment debate on that subject and reminding farmers that, although we were happy for Aujeszky's disease to be eliminated, we did not see the Government contributing too much to that effort. As I have said, the farmers contributed most of the money and there has been a very successful campaign which must not be damaged.

We fully understand that the single market caused the farming community some concern. The new system of veterinary checks is very different, and there was considerable concern, especially in the case of cattle, that it might have been at fault. The Committee did not find that to have been the case, but we recognised that things had changed.

Under the previous system, importers applied for an import licence from MAFF and the animals were then certified by the vet in the country of origin. The certificate was then checked on arrival at the point of entry in the United Kingdom and the animals were held for a further 21 days as a precaution, particularly against foot and mouth disease.

Both those procedures have now changed. The European Union adopted an eradication scheme for foot and mouth and it is now free of that disease. The United Kingdom could no longer justify the 21-day holding period, and it was removed in 1992. As of January 1993, point of entry checks were abandoned in favour of spot checks and checking at the point of destination.

Under the new system, the Ministry of Agriculture, Fisheries and Food is notified of animals to be imported, the points of entry and journey plans via a Europewide ANIMO computer network. It was not working particularly well when we went to see it in operation, but the officers were managing very well with faxes and they seemed to know when and where the animals were coming from, so we were satisfied that all was in order.

The removal of the point-of-entry holding period for foot and mouth disease eliminated an economic barrier to the import of lower value cattle as dairy replacements. Livestock has been bought recently from countries such as Holland and France because it is cheaper than the rather higher class stock that is available in the United Kingdom. Between 1990 and 1993, the number of cattle imported from France and the Netherlands increased from 90 and 150 to about 6,200 and 5,500 respectively. With that increase in numbers came a heightened disease risk, which we accepted.

The Committee considered that the majority of problems were caused by the increased volume of imports and by the type of animals imported—particularly those originating from behind the former iron curtain. Some of the disease scares may not have been detected under the old system. That is particularly true of imported cattle infected with warble fly larvae and those vaccinated against foot and mouth disease, which contravenes the principles and rules of our scheme. We decided that there was no disease time bomb and we gave a general endorsement to the system, which was borne out by subsequent events.

The Committee was concerned that some aspects of the system needed fine-tuning. We urged the Government to ensure that the European Union devoted sufficient funds to the Community veterinary fund to allow the disease control and eradication programmes to operate effectively. There is a substantial problem with swine fever in Germany, and the Germans are very keen to give up their slaughter policy and return to inoculation and vaccination. That would be completely wrong, and it would undermine the purpose of the central programme.

We urged the Government to make clear representations to the European Commission about the need to consider and rapidly approve the additional trade guarantees which allow member states to impose conditions on imports where special circumstances apply. Perhaps more importantly, we suggested that there should be a one-week compulsory holding period for imported animals at the point of destination to allow the state veterinary service to conduct appropriate checks on health certificates. That point of destination could well be the

farm of ultimate destination, but the animals should be kept separate and examined. That is a common-sense precaution.

We also suggested that the European Union should instigate measures to assure itself that the standards of veterinary training and of the state veterinary services in all member states are of a uniformly high standard; that adequate penalties are applied to any veterinary surgeon who is found to have falsely certified an animal; and that certification procedures throughout the European Union are harmonised, with documentation in the languages of both the importing and the exporting countries.

It was very difficult to get the vets and Ministry officials to admit to the Committee that the training schemes for vets in Greece were not adequate, but I can tell the House that they are not. The European Union was wrong not to take a more open approach to the issue. It investigated the veterinary services in all member states and reported its conclusions to the state concerned, but it did not make the report available elsewhere. It is crucial to the operation of a health scheme that those who certify animals are trained to an adequate standard. We have the highest standards of qualifications and experience in this country and we should insist upon the same standards in our EU partner countries.

The Committee was grateful that the Government were in broad agreement with its main recommendations, but it would be helpful if the Parliamentary Secretary, my hon. Friend the Member for Tiverton (Mrs. Browning), could indicate what progress has been made in implementing the recommendations.

We suggested that stock imported into the United Kingdom should be marked with specially coloured tags and we found it difficult to understand why the Government failed to accept our recommendation. Their view was that the new animal identification system, which was introduced under directive 92/102/EEC and came into effect in the United Kingdom on 1 April 1995, would ensure that an animal's country of origin could be established. However, I am afraid that the Government have missed the point of the proposal. We wanted to ensure that an animal in a pen with a special coloured tag could be identified immediately as an imported animal. It should stand out as such, as occurs in other countries in the European Union. That was virtually the only recommendation in that part of the report with which the Government did not agree.

We welcome the fact that MAFF has relaunched the "Don't import disease" campaign. We hope that we set out the principle that those who buy stock abroad should ensure—if necessary at their own expense—that the stock is healthy before bringing it into the country. We would like to know more about the progress of Government efforts to persuade the EU to publish the full Bendixen/Dexter report on the quality and structure of veterinary services in member states, to which I have referred.

The Committee also dealt with problems with horses, birds and fish. Hon. Members will be interested to learn that yesterday MAFF appointed a new inspector of imported fish. While we welcome that move, there are many other problems to consider also. Caged birds continue to be smuggled into the country and the prices at which they are advertised for sale clearly show that the birds have not come through the normal importation procedures. We are worried that bird smuggling will lead to the introduction of Newcastle disease, which could have a disastrous effect on our poultry industry.

I will not go into the details of spring viraemia of carp or viral haemorrhagic septicaemia and other such matters, as they are set out in the report. I am sure that my hon. Friend the Parliamentary Secretary will mention them in her winding-up speech.

We believe that the recommendations in our report, whether relating to the importation of farm animals or to protecting the United Kingdom from rabies, were based on a thorough assessment of the risks and that they constitute appropriate responses to the threat that is posed to the United Kingdom's high health status. We are disappointed at the Government's seemingly blinkered defence of the status quo with respect to rabies and quarantine and we hope that the new team will rethink the matter. The Government do not appear to dispute the facts on which our proposals are based, and we have detected a growing hint of acceptance in recent Government statements. Let us hope that that acceptance will grow a great deal more this evening.

7.57 pm

Ms Jean Corston (Bristol, East): As a member of the Agriculture Select Committee, I welcome the opportunity to contribute to the debate on our report entitled "Health Controls on the Importation of Live Animals". The inquiry took place because of the need to remove barriers in a single market, but I think that every member of the Select Committee was determined to ensure that we should not use that as an excuse for relaxing health controls when importing animals into the United Kingdom, because over the years we have achieved very high health standards, particularly with domestic pets and farm livestock.

I was particularly concerned about the vulnerability of farmers who purchase livestock from abroad, as it seems that they will receive only a warranty and an indemnity against purchasing a sick animal. I believe that such a warranty and indemnity would not be enforceable in law, and therefore not worth very much. In that context, holding periods for livestock and coloured ear tags to identify imported livestock would prove a useful protection for farmers. For example, the Danes use coloured ear tags on imported pigs, and if the Danes can do it, I see no reason why we should not do so.

As the Chairman of the Select Committee, the hon. Member for Weston-super-Mare (Sir J. Wiggin), said, a great deal of the Committee's time was spent examining the rabies question. I began the investigation absolutely convinced that rabies was right, that we ought to keep it—[Hon. Members: "Quarantine."] That quarantine was right. I apologise, and I thank my hon. Friends for putting me right.

I was absolutely convinced that quarantine had protected this country against rabies—a disease that all of us find utterly horrifying—and that at all costs our report should conclude with the recommendation that quarantine should stay. I make no apology for being persuaded by the evidence that I was wrong. A system of vaccination with an inactivated virus followed by blood tests would be much more satisfactory than quarantine and would serve the needs of pet owners and the general population.

[Ms Jean Corston]

In living memory there have been two cases of rabies in dogs in this country: one in 1969 in Camberley and one in 1970 in Newmarket. Both dogs had been through quarantine and developed rabies subsequently. I notice that the British Medical Association report, to which reference has been made, says that quarantine, which was introduced in 1901, has been effective since 1971. If a dog develops rabies after quarantine, we should first consider that indication of its effectiveness.

The other thing that I did not know about rabies was that there are two kinds. The kind that most of us are terrified of—the image of the dog salivating—is dog rabies, which is endemic in parts of the world such as the Indian subcontinent and, primarily, the southern hemisphere in Africa. In Europe, fox rabies occurs. In that context, the fox vaccination programme in the European Union was one of the aspects of EU policy with which I was impressed. With fox rabies, the dog which is bitten, if a dog is ever bitten by a fox—it does not happen often—is called the end host. The dog almost never passes on the rabies.

To people who are concerned, shake their heads or look puzzled, I say that there is no difference between fox rabies in a dog or a cat and fox rabies in horses, sheep and cattle, because all mammals are susceptible, but that does not stop imports of farm livestock. Nobody suggests that we should not bring in horses, sheep or cattle or that they should all be locked up for six months to see whether they develop rabies, because we think that the risk is so negligible that it is not worth considering. Yet we say that precisely such rules should apply to domestic pets. That inconsistency of treatment between domestic pets and farm livestock was one of the first reasons why I became uneasy about quarantine.

It is important to remember that the last known death of a human from rabies in Europe was in 1928 in France, and that since then excellent vaccines have been developed against fox rabies and rabies in humans.

Between 1972 and 1993, a total of 150,720 dogs and cats went through quarantine, during which time there were only two cases of rabies: one of a dog imported from the United States of America and the other of a dog from Zambia. Both had dog rabies from countries where dog rabies was prevalent. There was not a single case from areas where fox rabies was prevalent. That leads me to conclude that, although the risk is minimal, we obviously want to guard against it, but with a better system than quarantine.

I consider quarantine a blunt instrument. It costs approximately £1,200 to quarantine a dog. I note that the BMA discounts the possibility of smuggling and says that there is only anecdotal evidence of it. It is not anecdotal. The Chairman of the Select Committee gave the figures of detected cases, which amount to about 100 a year. That is probably the tip of the iceberg, because travel between the European continent and Great Britain is now much easier. The volume of traffic has increased enormously because of the channel tunnel and cross-channel ferries, and opportunities for smuggling have grown tremendously.

Sweden, a country which I admire, has been free of rabies since 1886. I think that it is right to say that the Swedish are as concerned about their health and their protection from the risk of rabies as we are. The Select Committee went to see the Swedish system in operation. It was launched on 1 May 1994, it involves vaccination and subsequent blood testing to ensure that a dog is rabies-free, and it seems to be virtually foolproof. Seeing that system in operation finally convinced me that it was the way forward for this country.

The Committee proposes a system which is better than quarantine. It involves microchipping or tattooing the dog or cat, vaccination with an inactivated vaccine, testing the blood for the effectiveness of the vaccine after four months and requiring that the animal is brought into the United Kingdom within a 12-month period with an import licence and an animal health passport.

As Select Committee members and people who are responsible for animal welfare and public health in this country, we want a better system and one that does not encourage smuggling. We have to set that, as I have said, in the context of the channel tunnel, the growth in ferry traffic and the fact that the single market provides for the free movement of workers. If people have a right to move between countries of the European Union for work, the question should then arise: what about those with domestic pets? How will those people behave in the face of Britain's quarantine system? That problem is not confined to service personnel; it affects many people's work, holidays and other situations to which I shall refer.

I congratulate the Ministry of Agriculture, Fisheries and Food on one achievement: it has had the most tremendous success in terrifying people about the risk of rabies. The placards showing the skull and crossbones at every port put the fear of God into everybody—they have certainly always terrified me, and were part of the reason why I thought that quarantine was a thoroughly good idea. During our inquiry, it was pointed out by a couple of experts from whom we took evidence that Britain was becoming the laughing stock in Europe on this issue, and I believe that that is true.

Although the risk might be minute and it is vital to have a safe and secure system, the issue of quarantine is important for certain groups of people. Recently, the House has been quite rightly concerned about civil rights for disabled persons. I ask hon. Members to stop and consider the case of guide-dog users. Guide-dog users cannot travel if they are British because if they leave the country with their dog they cannot bring it back until it has been quarantined for six months. That is ridiculous. There should be a system under which a dog can be protected from rabies, humans who have any contact with that dog can be protected from any risk and a blind person can enjoy foreign travel like the rest of us.

I have concluded that our policy on rabies is a little like the man who used to go round snapping his fingers all the time. Somebody finally asked him why he was doing it and he said that it was to keep elephants out of the country. When it was pointed out that there were not any elephants in the country, he said: "It just goes to show how effective it is." It seems ludicrous to suggest that a policy that keeps out dogs, the ineffectiveness of which was shown in 1969 and 1970, should not be replaced in the modern world with a system that, with the free movement of people, provides for the protection of animals and public health.

8.9 pm

Sir Roger Moate (Faversham): The great privilege of serving on the Agriculture Select Committee was bestowed on me only a few months ago, so I carry neither blame nor credit for the report.

Throughout my political career, however that might be described, I have always been sceptical about Select Committees, but I have come to appreciate the quality and quantity of the work undertaken by the Select Committee on which I serve. I was most impressed by the commitment shown by its members of all parties and by their non-partisan approach to matters that are examined in the Committee's latest report.

I was also impressed by the professionalism of the staff in respect of matters of extreme technical difficulty and physical sensitivity. The work done by my hon. Friend the Member for Weston-super-Mare (Sir J. Wiggin) in conducting the affairs of a difficult lot with great humour, diligence and application was first-class. As with the report, a tremendous amount of high-quality work is done by the Committee and I was agreeably surprised. I hope that I may enjoy continuing to serve the Committee for some years.

The report's introduction emphasises how seriously the Committee's latest and other investigations are taken. The report is impressive, but I do not agree with its conclusions. Incidentally, although the report required a visit to Scandinavia, we also visited the quarantine station at Heathrow airport, quarantine kennels near Deal, a farm near Rugby, the Folkestone terminal and, inevitably, Brussels. I place that on record for the benefit of critics outside the House, because that is hardly a Cook's tour of exotic destinations.

One criticism I have of Select Committee reports is that their conclusions are too general, too wordy and insufficiently politically challenging. In this case, the proposal to change quarantine policy is specific, clear and challenging—and in my view, totally wrong. I agree with the Government's response and look forward to hearing the reply of my hon. Friend the Minister. I welcome the Government's determination to maintain the existing quarantine system, and I am glad that policy is strongly supported in the powerful paper from the British Medical Association that was circulated to Members of Parliament earlier this week.

I do not ignore for one moment the powerful voices in favour of change. I read the Select Committee and British Medical Association reports thoroughly, but I can claim to have read the evidence only to the extent that the Chancellor of the Exchequer read the Maastricht treaty. However, it is an impressive dossier. I read carefully the impressive evidence from pet owners, who pay the price financially and emotionally. The stress of enforced separation for six months, or for ever in many cases, is a real factor that I do not disguise.

The hon. Member for Bristol, East (Ms Corston) referred to the single market argument. The Conservative ex-MEP for East Kent, Christopher Jackson, presented a powerful report on the subject from the point of view of the European Parliament. I do not underestimate the dramatic progress made in Europe in controlling rabies and its elimination in many parts of the continent—a remarkable change in the life of our nation and of the continent. However, the European Union is enlarging rapidly to the east and will no doubt do so to the south, to the Mediterranean.

In a few years' time, the EU could have twice the number of member states. It would be a brave man or woman who asserted that those new frontiers will be as rabies-proof as the frontiers of the EU's present members. One welcomes the optimism that rabies might be eradicated in the EU by the turn of the century, but there are overwhelming arguments against the likelihood of that happening.

Britain can be thankful that it is free of rabies, while Europe can rejoice that the disease is being defeated on the continent. We must not, however, lose sight of the horrifying nature of the disease. My hon. Friend the Member for Weston-super-Mare almost struck a note of complacency with regard to the nature of the disease elsewhere in the world. He said that the world has moved on, but the good research paper produced by the Library states:

> "Worldwide, around 6.5 million people receive treatment every year after being bitten or scratched by dogs, and 33,000 people die each year from dog rabies."

As the hon. Member for Bristol, East said, most of those deaths occur in India. My point is that the world has not moved on that much.

The hon. Lady said also that she was frightened by the skull and crossbones posters at ports. That is a good thing, because—even if the Select Committee's recommendations are accepted—the threat of rabies will remain, from all the non-approved countries in other parts of the world. I hope that small and large ports throughout the country would still display skull and crossbones posters to stop the entry of rabid animals from the many countries that will not become rabies-free.

Ms Corston: The hon. Gentleman is aware that the Select Committee recommended that quarantine should stay in the countries to which he referred.

Sir Roger Moate: That was my point, so posters would need to remain and we would have to maintain justified public fear of rabies returning from other parts of the world.

My hon. Friend the Member for Weston-super-Mare referred to the horrifying nature of rabies. Anyone who doubts its effects will find in the Library paper a couple of pages that make gruesome reading. It is easy to understand why we are so concerned to ensure that there is not the smallest risk of rabies being reintroduced into this country.

I have often thought that our island status has given us the best of all worlds. It makes us a strong nation state and allows us to be one of the most international outward-looking nations on Earth. At the same time, our island status allows us to be insular when that happens to suit our purpose, which has proved a superbly successful bastion against rabies in particular. The quarantine system has not only worked remarkably well but has given the public crucial confidence—the belief that we are and can remain a rabies-free nation. That confidence is a priceless asset. If there were at any time a revival of the fear of rabies, which could be generated by fox rabies as much as dog rabies, there would be serious consequences.

[Sir Roger Moate]

It is proposed to remove that bastion and end the quarantine system and to replace it with a system of pet passports, chips and tattoos.

Ms Corston: Vaccines.

Sir Roger Moate: Yes, the pet passport is a record of those. I do not want to trivialise these techniques, especially as they are being used by other nations.

Sir Jerry Wiggin: My hon. Friend is perfectly right about the fear in people's minds. He is a well travelled man. Would he say that his friends in France and Germany ever talk about this matter, or worry about it, or take any medical precautions? The fact is that they do not.

Sir Roger Moate: I suspect that the issue would seldom be a topic of conversation because Britons travelling abroad have become so used to not taking their pets with them, as they know that they cannot be brought back here, that they have long ceased discussing it. My hon. Friend is right: only fox rabies is a problem in those countries, not dog rabies—but that is not the point. My hon. Friend himself said that the system that he is proposing is far more onerous and demanding than any that we apply to human beings, so he is not really suggesting free movement at all. The logic of his case is that there should be free movement, without controls or vaccinations.

I do not want to trivialise or minimise the value of the pet passport, even though someone suggested to me earlier that it might mean queues of black labradors waiting to have their passport photographs taken. I realise that microchips are seen as a useful form of international control, but we cannot take tattoos too seriously, although the Committee seemed to do so. The Government point out that tattoos on dogs are hard to read and are easily altered.

My worry is that all these systems are easily susceptible to fraud and error. Documents are easily forged, and information for computers and microchips can be easily tampered with when it is being put in. Such systems require scrutiny at a very limited number of ports of entry. As I understand it, we do not have the structures to allow these inspections to take place.

I ask the House to compare these proposals with the certainty that the quarantine system gives us. The only element of uncertainty comes with smuggling, but, as my hon. Friend the Member for Weston-super-Mare has already said, the new regime would be onerous and time-consuming—and there would still be smuggling. That possibility is not eliminated.

I suspect that most caring pet owners will not break the law and do not break it now. The fact is that six months' quarantine, although painful to some, is a system that gives the public great confidence that the disease is unlikely ever to re-enter this country. The BMA states:

"Although the risk of a rabid animal entering the country is small, the consequences could be disastrous . . . Changes to the British way of life . . . would be far reaching. All pets would require vaccination; everyone involved with work with animals would need to be vaccinated; and any bite or scratch from a sick animal . . . would have to be treated immediately. The well-known British affection for animals would have to be tempered by caution".

Ms Corston *indicated dissent.*

Sir Roger Moate: One cannot deny that these would be the consequences. In the past, the spread of rabies was prevented by the muzzling of dogs. It is noteworthy that one of the contingency plans of MAFF for the outbreak of rabies would be poisoning foxes with strychnine, at serious risk to other animals. No one in his right mind wants to risk that. It is a fair point to make to distressed pet owners facing enforced separation from their pets under the quarantine system that the pain, suffering and cost of the spread of rabies would be far worse for pets and people alike.

I want to turn briefly to the question of risk, because that is what the argument is all about. How much greater would the risks be, if at all, if we abandoned the quarantine system and adopted the system of vaccination and microchips? It is here that I found the Select Committee's report and the speech by my hon. Friend the Member for Weston-super-Mare least convincing.

He said that we could import a rabid animal, in certain circumstances, once every 31 years. That is the statistical consideration. I remember severe floods in the town of Sheerness in my constituency one Christmas in the 1970s. Several hundred houses were flooded, and we were told that it was a one-in-a-thousand-year flood. A week later, the same houses were flooded again, but we were told that that did not alter the statistics—it was still one-in-a-thousand-year flood. So much for statistical averages.

I was therefore not impressed with the idea that only a very low risk is involved. I believe that, when the system was changed in Finland to one similar to what is proposed by the Select Committee, 10 times as many animals were imported to the country. Given the pet-loving nature of our nation, I suspect that there would be a huge increase in the number of pets brought to this country as well. The risks must therefore be seen in the context of a tremendous increase in the numbers.

It is easy to say, as the Committee does, that these risks would be small; but I prefer the verdict of the BMA, which says that one case introduced into a susceptible population may be enough to start an animal epidemic. I do not know why we should change a system that works and which brings with it so much confidence.

When it comes to foodstuffs, pesticides, herbicides, nitrate levels and organophosphates, we are told by the scientists that we should take no risks whatever. I remember the recent carrot episode, when it was discovered that one carrot in thousands might have too high an accumulation of something unpleasant. The whole system had to be changed, and the British population was warned to top and tail its carrots before eating them raw. The margin of safety had been reduced from 100 to 93—a minuscule change, but apparently we must not take risks with carrots. On the other hand, it seems that we can with rabies—[HON. MEMBERS: "Come on."] It is the same. If we take the scientific advice, we should have to decide that, if there is any risk at all in removing the quarantine system, we ought not to remove it. Most of us fear the rabid fox more than we do the carrot.

The Committee went wrong by failing to understand the incalculable value of the sense of security that has been achieved by current procedures: they work and they inspire confidence. Pet owners going abroad know the rules. Over the years, the British people have come to accept the system. Of course there are many who do not like it, but it is seen by the vast majority as an effective system. Preventing rabies from re-entering the country must be our paramount object. It is only when rabies has

been virtually eliminated around the world—diseases are being eliminated around the world—that we can contemplate abandoning our unique advantage of the ocean barriers which have allowed us to operate a highly effective quarantine system.

8.28 pm

Mr. Paul Tyler (North Cornwall): I beg to move,

That Class III, Vote 3 be reduced by £1,000 in respect of subheads B2 and D2 (Taking action against diseases with implications for human health (PP2): current costs).

I am sure that hon. Members will recognise that our amendment is merely a device to underline the urgency and sense of frustration that a great many right hon. and hon. Members feel about some very difficult questions. Indeed, if the rules of the House permitted it, we would seek to increase the sum available for this purpose, not to decrease it.

I want to touch on rabies only briefly, because I want to discuss three other matters of concern to a large number of hon. Members. I also want to mention BSE, bovine TB, and sheep scab and blowfly. I do not do so as my party's spokesman on those issues, because there is a great deal of cross-party, non-partisan concern and interest. I have been fascinated to find that, on balance, I shall be on the same side as the Minister on rabies, and with the hon. Member for Faversham (Sir R. Moate), although I do not take such an apocalyptic view, which he appears to take, about the Select Committee's recommendations.

On the other side, I notice that the hon. Member for Weston-super-Mare (Sir J. Wiggin) has the cross-party support of the Committee. There has already been an eloquent explanation from the hon. Member for Bristol, East (Ms Corston) on why Members have changed their minds on the subject. I am sure that we are all seeking the same objectives. We arrive at them, perhaps, by different means.

I now deal with the Select Committee's report. I have the highest regard for the Select Committee—although I am not a member of it, and perhaps that increases my respect—collectively and individually. It has done the House a considerable service, not just with this report but with much of the other work that it has done. I believe, however, that the hon. Member for Weston-super-Mare, as Chairman, did not do justice to the arguments when he dismissed out of hand the concerns of the British Medical Association and the British Veterinary Association. I shall refer to those associations in a moment.

My approach—I am quite frank about it—is that I wanted to be persuaded by the Select Committee. I would have been delighted to feel that we could move away from the present restrictions, because I am only too conscious of the concerns and the unfortunate effects that the present arrangements have on pet owners—not just service personnel, as the hon. Member for Bristol, East said, but the large number of people who now travel for work purposes and who find that they cannot take their pets with them. We should recognise that the recommendations of the Select Committee will not solve that problem overnight.

On the BMA report, I shall quote from the guide that we have been given by the doctors, in which they say:

"Britain cannot tolerate any lowering in the standards of precautions for keeping rabies out of Britain, as the consequences of their being breached could be so great. Although quarantine is very expensive for those individuals who use it, the costs of eradicating rabies, if this were actually possible, once it had entered Britain, would be very much greater."

I notice that the Select Committee, in its reliance on the Swedish example, is not followed by the BMA, which points out in its own report, published on Monday of this week, that the Swedes have not experienced, and did not expect to experience, a reduction or elimination in smuggling as a result of the change. The report says:

"A risk assessment of Sweden's then proposed vaccination system, carried out by the Swedish Board of Agriculture, concluded 'It is by no means self-evident that smuggling will be reduced if the rules are altered' (from quarantine to vaccination and certification)."

So let us not be fooled into thinking that even those who have the experience on which the Select Committee places such reliance really expected to stamp out smuggling or have experienced a reduction in it.

The BMA and the BVA have demonstrated to great effect the differing circumstances in different countries. They point, for example, to the prevalence and growth in the number of urban foxes in the United Kingdom, which is totally different from anything experienced in the Scandinavian countries referred to in the debate.

In the circumstances, we have to take seriously the misgivings of the professionals. It is wrong simply to sweep them aside as if they did not matter, or to say in the words, I think, of the hon. Member for Workington (Mr. Campbell-Savours), "Oh, well, they would say that, wouldn't they? They have a financial interest." That reduces the value of the debate, and we have to take seriously what they say.

The BMA says of a rabies epidemic that there would be

"massive killing of wildlife in affected areas, muzzling of dogs, keeping cats housebound and killing strays."

That is not a prospect that any of us can consider with equanimity.

Sir Jerry Wiggin: I did say, although not today in the House, that I was suspicious of the motives of the BVA, and I did imply that there might be some financial incentive in the quarantine system. I am convinced that that is not true and that is wrong, and I wish to withdraw it publicly. Indeed, if our system were to be adopted, I suspect that the veterinary profession would gain handsomely from the work involved in vaccination and certification.

Mr. Tyler: I am grateful to the hon. Gentleman. It was actually an Opposition Member who made that suggestion this evening. It is precisely because I think that the hon. Gentleman and his Committee have taken a level-headed approach to the issue, and I sympathise with it, that I regret the fact that they were rather dismissive this evening of the misgivings of the BMA and the BVA. I am with the Minister on this issue. I hope to demonstrate to her that, on this issue at least, I take a non-partisan view.

Sir Roger Moate: It is very courteous of the hon. Gentleman to give way. He suggested that I was being apocalyptic. In fact, I was quoting from the same sources as he is and used almost exactly the same words as those that he has just used.

Mr. Tyler: I understand the point that the hon. Gentleman made, but I still think that perhaps he

[Mr. Tyler]

overplayed his case. On balance, this is not the right time to make the change. I understand that to be the position of the Ministry.

I now deal with BSE, bovine spongiform encephalopathy—I think that I have just about got it right—or what most people call mad cow disease. I ask the Minister, as this is the first opportunity that we have had to do so, to explain precisely how the Ministry views the changes in the arrangements that have been announced in the past few days. We have all assumed that the ban on the use of potentially affected parts of animal carcases in feedstuffs was the essential element in our protective system, and that once they were out of the food chain, we could look forward to a substantial improvement in the situation. That has been the accepted wisdom of the scientists who advise the Ministry, and, indeed, Members of the House.

However, the EU Commission's decision this week to change the arrangements, apparently under pressure from the German Government, raises some difficult questions. We are told on the one hand that it raises questions about the scientific basis on which our Ministry has been operating. It suggests that perhaps there is some way in which the disease can be inherited from cow to calf—otherwise, how can the Commission possibly justify changing the date—or, alternatively, that somehow the possible sources of the disease have remained in the food chain for longer than was previously anticipated. I hope that the Minister will reassure us on that.

I notice that the Meat and Livestock Commission had at least two views on that last Thursday. One veterinary officer was saying that it would make it easier to export from this country to other member states in the European Union, while another was saying that only

"a sea change in the attitudes of German consumers to beef"

would result in any change in the export situation.

The critical issue, surely, is: are the policies, to which we refer in our amendment and which we are debating tonight, still as scientifically and intellectually substantial? Can we rely on them in the same way as we have in the past, if, as seems likely, the EU has changed its stance and raised questions about the matter? We need to know whether our Government are satisfied with the integrity of the scientific thesis on which they are operating, and if they are not, is it just German protectionism in disguise?

I now deal with bovine tuberculosis. The Minister and I had a brief exchange on that at Question Time last week and she has been kind enough to write to me since. I wish to make it absolutely clear that I do not pretend to be an expert on this subject; no doubt other hon. Members are more expert than me. I look to the Select Committee—it has done a very good job on many subjects, including the import of livestock—as being the only effective mechanism that we have to get evidence from a wide range of different interests where clearly the reputation and credibility of the Ministry are in question, and they are in question.

I recall a briefing by the Minister's predecessor, which I have no doubt other hon. Members recall, on the subject of TB—it must have been two or two and a half years ago—when we were given to understand that there was real confidence that a change in the Ministry's policy in terms of live testing would not eradicate—we would not expect that—but would dramatically change the situation. We were all given real confidence that that would be the case.

We have to look at the figures. We can dispute the exact scale of increase. The Minister has been kind enough to point out that the extrapolation of the figures that I gave the House last week would imply a steady rise over the year, and that may not be true. I accept that. But the Minister has also been good enough to say:

"I am very worried about the incidence of bovine tuberculosis . . . the cause of that is badgers."—[*Official Report*, 6 July 1995; Vol. 263, c. 505.]

If that is true, I have to tell the Minister that an increasing number of farmers no longer believe it. I have had examples in my constituency, which I have brought to the Minister's attention, where the testing of badgers produced no results, where there is no obvious badger activity in the immediate surrounding area, where the animals have not had contact with other neighbouring farms, where there are few visitors to the farm and where it would seem that there is no obvious connection between a contaminated badger sett and an outbreak of TB. There are several examples of that, and farmers are as worried about it as anybody else. Yet the system relies entirely on the assumption that the circle of infection is due to badgers, as the Minister said again last week.

The hon. Member for Glanford and Scunthorpe (Mr. Morley) may be equally positive that badgers are not to blame, but I am more sceptical. *[Interruption.]* No doubt in due course the hon. Gentleman will put his view. I am an agnostic. All I do know is that dairy farmers and the animal welfare groups do not believe that the Ministry can continue with the present policy without independent objective analysis from outside the Ministry. It cannot remain judge of its own case for any longer.

It is for that reason that I have urged the Ministry to accept the need for such a study. If it can be included in the Select Committee's currently projected studies into the dairy industry, so be it, but if it has to be a separate study, I hope that the Chairman and the Minister will co-operate in some such independent objective inquiry. Otherwise, I cannot see how the two sides in the argument will stop their dialogue of the deaf.

In the meantime, I hope that no one is under any illusion about the substantial cost to the industry. I have here an example of a farm in Gloucestershire that was extensively analysed in a recent edition of *Farmers' Weekly*, where the estimated cost of the testing, direct movement restriction, changing farm policy, insurance costs and so on is £111,000. That is a net cost after compensation has been received. It is a huge sum.

The farmer, Mr. Rowe, says:

"MAFF is so behind with badger trapping that, in some cases, there is a six to 10-month gap between a breakdown and trapping . . . We shall have to turn our stock out on to pasture which is riddled with badgers that we know have TB. A badger vaccine, with food used as a vector, is the main answer. Otherwise TB in cattle will continue. MAFF knows the problem but it needs more funding from the Treasury."

There are other examples.

I am sure that hon. Members from dairy areas will be able to confirm that there is real concern about the lack of resources. Even if one accepts the MAFF thesis, the lack of resources means that there is a long delay before action is taken. I had another example at my advice surgery last weekend, of a farmer who was crying out for

live testing. Apparently, the veterinary service is prepared to provide it, but the lack of resources means that there is a long delay.

It is the responsibility of Members of Parliament to monitor, scrutinise and call the Government to account. That is the precise purpose of today's debate. I do not pretend that I have a solution to every complicated aspect of the problem. I certainly have not. A great many much wiser heads than mine have been applied to it. But what I do believe is that, just as the hon. Member for Weston-super-Mare could claim that his Select Committee had approached in an open-minded and thorough way the problem of the import of livestock, it should be asked to look at this problem with exactly the same approach.

Finally, I come to the problems of sheep scab and blowfly and the products that are used to treat and prevent those diseases in sheep. The Minister has been kind enough to meet a small all-party group on a number of occasions, as did previous Ministers of Agriculture, Fisheries and Food, the right hon. Members for Norfolk, South-West (Mrs. Shephard) and for Suffolk, Coastal (Mr. Gummer). I think that the Minister acknowledges that there is all-party concern.

Here we have a problem where the animal disease that we are seeking to cure is not going away, but at the same time the apparently most effective way of dealing with it has the most horrendous side effects in terms of human health. The products to which I am referring are the organophosphorous compounds that are most often used in sheep dip to try to deal with those problems.

For many years, sheep scab was a notifiable disease. For many years, the Ministry effectively enforced twice yearly and then, for a few years, annually, the compulsory dipping of sheep. Suddenly, in 1992, without much warning, that was removed, either, according to one version, because sheep scab had been eradicated or was in the process of being eradicated, or because, according to another version, it did not seem to be doing much good as there was still a lot of sheep scab about. They were curiously conflicting arguments.

Whatever may have been the rationale then, the rationale now is surely inadequate. Since 1992—the Ministry has just issued some more information—sheep scab has been on the increase. The Ministry has been monitoring carefully what has been happening in markets. It cannot give exact and detailed figures but, as a result, it is increasing sheep scab surveillance. The Minister has announced in my part of the world in the south-west that fines of up to £5,000 are possible for sheep scab—not, it should be said, under the notifiable disease legislation, as I understand it, but under some environmental health or animal cruelty legislation. That is fair enough. Sheep scab is a serious disease.

But hon. Members surely cannot be satisfied when the Government are spending quite a lot of money, as is the industry, without achieving any improvement. All we are doing is causing a great many people the discomfort, cost and, potentially, the damage to their health, from a product that clearly is not the answer.

At the meeting with the Minister on 28 June, she undertook to examine urgently a number of specific issues affecting human health with her opposite number at the Department of Health. I hope that this evening she will briefly—I understand the difficulties of time—refer to the outcome of those discussions.

One of the issues that we specifically asked the Ministers to address was the apparent correlation of high suicide rates in some parts of the country, which appeared to follow closely on some of the areas where dipping with organophosphates was most prevalent.

I have a letter here from one of the consultant psychiatrists who has particularly studied the problem, Dr. Davies, of the Avalon NHS trust based in Taunton. He not only draws attention to the weight of evidence, from his own experience and that of his colleagues, of a connection between sheep dip exposure and high suicide rates, but offers his services to try to improve the amount of information that could be available to the Department of Health on this specific issue.

In that letter, Dr. Davies says:

"I am sure that if dealing with a pharmaceutical agent, such a weight of evidence would result in its withdrawal from the market and I find it difficult to understand why the same criteria are not applied to environmental toxins. Every organophosphate exposed farmer that I have interviewed, whether as a NHS referral or part of my research activities, has admitted to intense episodes of suicidal ideation well beyond the 'life is not worth living' stage."

I hope that the Department of Health will take that evidence as seriously as I know the Minister does. I also hope that the offer to undertake additional research into the effects of organophosphates in terms of neuro-psychiatric toxicity will be taken up.

There are ways in which the Minister can respond proactively. For instance, we must return to some form of notifiable disease arrangement if the industry is to take sheep scab seriously. A return to the old compulsory dipping scheme will not be sufficient, however. I hope that a compulsory treatment scheme using the new products—the non-OP dips that are now available, and the injectables—will deal with the problem more effectively. Ironically, there is now a blowfly that is immune to OPs, while some humans at least seem to be sensitive to them.

We must recognise that manufacturers of new products will not be able to reduce the unit cost, allowing take-up to be effective in the industry, until some help is given with the transition. I hope that, now that it is recognised that the use of OP dips imposes considerable costs on the industry, the Ministry and, indeed, the health service, the Government will find a way of subsidising the transition to allow the withdrawal of those products and the introduction of new products that are safer for all concerned.

I am sorry to have had to cover so much territory at such speed, but this is an unusual opportunity. I am grateful to the House for listening so patiently, and I hope that in due course the Minister will respond to all four of the points that I have made.

8.52 pm

Mr. Roger Gale (Thanet, North): I wish to return to the general question of the Supply estimates, which relate largely—although not exclusively—to animal welfare and animal health issues. Let me again thank my hon. Friend the Parliamentary Secretary for the diligence with which she has promoted animal welfare issues throughout the European Union, and welcome my right hon. and learned Friend the Minister to his new job.

On behalf of the all-party animal welfare group, which I chair, I applaud the sentiments that my right hon. and learned Friend expressed at the opening of the new offices of the Royal College of Veterinary Surgeons last week. I

[Mr. Roger Gale]

was delighted to learn that he intends to target the banning of veal crates as the Government's next objective. I hope that scientific evidence will enable real progress to be made by the end of the year.

We have dealt largely with matters relating to the single market and open frontiers. It has been said—correctly—that free trade in animals sometimes means free trade in diseases. In recent months, there have been outbreaks of equine viral arteritis. Earlier this week, my hon. Friend the Parliamentary Secretary laid an order relating to the control of EVA in the United Kingdom. I hope that, when she winds up the debate, she will be able to give us some idea of the measures that Ministers are taking to control the movement of shedding stallions, not just in the United Kingdom but throughout the European Union.

Contagious diseases have also been imported in culled sheep from Poland and Spain. In a number of instances, animal diseases that we had thought to be either under control or eradicated in this country have been imported. That demonstrates the need for rigid controls in the country of origin, and strict on-farm quarantine when animals arrive in the United Kingdom.

Outbreaks of that kind underline the importance of veterinary education and the maintaining of veterinary standards throughout the European Union. My hon. Friend the Member for Weston-super-Mare (Sir J. Wiggin) mentioned that in connection with the Select Committee report. Is my hon. Friend the Parliamentary Secretary able to make a further announcement about the availability of European Commission funds for veterinary education? We had the impression that the Commission would look favourably on that, but there seems to have been a hiatus. A settlement is overdue.

Clearly, in the minds of the media, this is "the rabies debate". I mentioned free trade in diseases. I have no wish to see rabies spread throughout the United Kingdom, but I believe that, if there is a free trade in diseases, there is also a free trade in hysteria and prejudice, particularly about rabies. I am persuaded by the scientific arguments—as, clearly, are many other hon. Members—that the time has come to make real progress.

I listened with interest to the speech of my hon. Friend the Member for Weston-super-Mare, and I studied his Committee's excellent report with great care. Like earlier speakers, I started from the premise that the controls that we have, we hold; they work, and we should not mend things that are not broken.

Let us examine a couple of the myths. My hon. Friend the Member for Faversham (Sir R. Moate) said that quarantine worked. Does it? That must be the first myth. We know that animals are smuggled into this country on ferries, possibly—now—through the channel tunnel, and on sailing yachts entering the many ports along the south and other coasts. I am told—much of the evidence is anecdotal—that it is relatively easy to obtain an anaesthetic for a dog in northern France. One can knock out the dog, chuck it into the boot and put a blanket over it and it wakes up after half an hour through the tunnel, 45 minutes on the hovercraft or one hour on the ferry, somewhere in the United Kingdom. The risk of detection is minimal. If one weighs that risk against a bill of £1,000 or £1,200 for six months' quarantine—we have heard various figures—and the real distress that one feels at having to quarantine one's animals, it must seem worth taking. Yes, the penalties for detection are severe, but the chances of detection are fairly remote.

The stories are anecdotal, so let me put my own anecdote on the record. As chairman of the all-party animal welfare group and a Kent Member of Parliament, I received a third-party approach from an American, apparently resident in Switzerland, who wanted to bring a dalmatian into the UK and, peculiarly, sought my advice as to how that could be done by bending the rules. I had to say that he had come to the wrong person, but the approach was made.

The second myth is the huge number of cases. It is a half-myth; it is a misrepresentation of fact. I took part in a radio discussion on Saturday morning with an "expert" on this subject who said that there were 15,000 cases of rabies worldwide every year, but I am told by my hon. Friend the Member for Faversham that, based on a House of Commons Library report, there are 30,000 or more such cases in India alone. I am not sure where these figures come from, but the implication is that they affect us throughout northern Europe and the UK. Perhaps someone in the House can tell me when the last case of human rabies was detected in northern Europe. I do not think that the British Medical Association referred to that in its report and I have no reference anywhere else.

What I do know, because the figures are given in the report produced by the Committee of my hon. Friend the Member for Weston-super-Mare, is that 150,000 dogs and cats have been imported into the UK since 1972 and that, as was mentioned earlier, out of those 150,000 animals, two from third countries developed rabies; none from the European Union developed the disease. No one I know is suggesting that there should be any relaxation of the rules from third countries. We are considering the European Union specifically at present.

Sir Jerry Wiggin: Rabies-free countries.

Mr. Gale: I am coming to that.

I want to ask my hon. Friend the Parliamentary Secretary, not to give an answer tonight, because if I receive one tonight, it will be no, but to consider two proposals. First, will she consider that we should allow the importing of animals owned by members of the armed forces and by members of the diplomatic corps, and the importing of guide dogs owned by anyone, provided that they are vaccinated, have proper documentation, have had blood tests and are identifiable?

In the case of forces personnel coming from rabies-free countries such as Cyprus, I see no difficulty with that. It would be possible to vaccinate a dog or cat six months before return, because the date of return is always known, to have that animal examined by an officer of the Royal Army Veterinary Corps and certified as okay. At present, soldiers and airmen coming from Cyprus having done a two-year tour of duty have two choices: they either bring the family pet home and kennel it at a cost of some £1,200 for six months, or they use the services of the excellent British Army Rescue Centre to have the animal rehomed in Cyprus.

There is—I was going to say a trade, but it is not a commercial business—an enterprise that recycles family pets so that outgoing services families are able to take on, not unwanted, but unimportable animals left behind by their return home. That is daft, unnecessary and inhumane

and there is no reason for maintaining it. If we cannot trust the members of our own diplomatic corps to have their animals vaccinated and properly documented, and allow them to move around the world without having to quarantine their animals every time they are brought home at the end of a tour of duty, we should be able to.

The hon. Member for Bristol, East (Ms Corston) mentioned guide dogs. Clearly, certainly in the European Union, we should be able to make immediate provision for people travelling abroad or returning with guide dogs, provided that they are properly documented.

My second proposal to my hon. Friend the Parliamentary Secretary is this. In her letter to me of 30 June, in response to a constituent's inquiry, she said:

"It is possible to regulate commercial imports through a system of vaccination, blood testing, controlled transportation, advanced notification and checks at destination. It is difficult to see how checks of this kind could be applied to pet animals travelling with their owners. At the very least, to ensure the same degree of certainty about the health status and identity of the animal would require a considerable increase in administrative action and administrative costs."

I am dreadfully sorry, but I do not accept that. We usually agree, but on this issue my hon. Friend is right in the first half of the paragraph but absolutely wrong in the second.

I want to make a proposal. I want my hon. Friend to introduce a pilot scheme through the ports of Ramsgate in Thanet and Dover, two of the most widely used Kent channel ports. Initially, my proposal would not allow the importing of animals from the European Union, but would allow the reimporting of animals taken out from the United Kingdom by United Kingdom citizens going on holiday. That should be done provided that those animals have been vaccinated six months in advance of travel, have been blood tested after six months, have a canine or feline passport certified by the vet who carried out the test and that they are microchipped to what I hope will become the FECAVA—the Federation of European Companion Animals Veterinary Association—common European standard of identification.

Given all that information, I can see no reason why it should not be perfectly feasible to allow a family to take a dog or a cat on holiday. They would book on to a given ferry—which they do anyway—and have the animal placed in a holding kennel at the port upon entry.

My hon. Friend the Member for Faversham referred to black labradors. I happen to have a black labrador and I would love to take it on holiday with me. We do not want a long queue of cars at ports, so I would be happy to leave my animal in a holding kennel. I would be happy to allow that animal to be collected with others on the same day and taken to a quarantine kennel where it would be blood tested again and identified. I would then collect my animal from the quarantine kennel. There would be no massive bureaucracy at the port and no massive cost except to me, the owner. If I am prepared to pay the entire cost, I cannot see why it is not possible to do it.

There is an added advantage. We have had representations from members of the Quarantine Kennels Owners Association who have justifiably expressed concern about the future of their considerable investment in their facilities. I believe that, with the system that I have outlined, they would benefit from the trade in animals coming in from third countries where quarantine would continue and from the additional business generated by those who would use the kennels on their return from holiday.

I am fortunate in that I never leave my home unattended so my animals stay at home. Not everybody is that lucky. Some people have to put their cats or dogs into kennels or catteries for a fortnight when they go on holiday. I cannot believe that those people would prefer to put their animals in a kennel for a fortnight rather than for two or three days. Equally, I can see no reason why the quarantine kennel should not have the business that would be generated by such a scheme.

I can see no risk to animal health in the United Kingdom from that process. I believe that if we can establish that that works on a pilot basis, it should be possible to extend the process of vaccination, blood testing and microchip identification to the whole of Europe so as to allow European Union citizens to bring their animals into the United Kingdom on the same basis.

I believe that we have a choice, but to do nothing is not part of that choice. There will be more, not fewer, animals smuggled into the United Kingdom. As has been said already, the risk is not from the responsible, law-abiding animal owner but from the smuggler—the person who is most likely to bring in an animal that may not have been vaccinated. A responsible pet owner—from any country in Europe, including the United Kingdom—will want to look after his or her animal. The risk is from the smuggled animal.

We must forget the mythology about rabid foxes wandering through the channel tunnel. If we are to eradicate the risk caused by smuggled animals, we must remove the incentive to smuggle. Provided that it is cheaper—what I am proposing would be a great deal cheaper than the average £1,200 quarantine fees—and that it is relatively simple to go through the necessary processes, people will not take the risk of a fine or imprisonment for smuggling.

There is a way forward. If we are to prevent the growing illegal trade and accept that in a wider Europe people will want to travel with their companion animals, we must do something positive. I believe that what I have suggested, which is based on scientific evidence taken by the Select Committee—details of which are contained in the report—is a way forward.

The estimates make provision for the funding of European negotiation and for matters relating to the Animals (Scientific Procedures) Act 1986. My hon. Friend the Minister may feel that what I am about to say is a matter for either the Home Office or the Department of Trade and Industry, but she would not expect me to miss this opportunity to place on record, again, the case for funding the work of the European centre for the validation of alternative methods to the use of animals in experimentation. There is a great deal of work to do and every penny of the money in the estimates, and much more, will be needed to support that work.

9.11 pm

Mr. Colin Pickthall (Lancashire, West): I want to speak briefly in support of my colleagues the hon. Members for Weston-super-Mare (Sir J. Wiggin) and for Bristol, East (Ms Corston) in what they have said this evening. I also support much of what was said by the hon. Member for Thanet, North (Mr. Gale), especially his comment that doing nothing is not a choice.

I confess that I entered into the investigation on health controls on the importation of live animals with a strong prejudice in favour of the retention of quarantine. It

[Mr. Colin Pickthall]

appeared to me that one of the great benefits of this country being an island was the possibility of keeping such diseases as rabies at bay. Quarantine had appeared to work for most of the century and I was predisposed to say, "If it ain't broke, don't fix it."

In addition, the advent of the channel tunnel had agitated many of the rural population in my constituency to the point where they had calculated that as a fox could travel at about 25 miles a day, rabid animals would be through the tunnel and biting people in west Lancashire in less than a fortnight.

Mr. Elliot Morley (Glanford and Scunthorpe): Faster than a train.

Mr. Pickthall: It is certainly faster than a train on the west coast main line.

Rabies is such a horrible disease that we must take such fears seriously. It was my belief that any relaxation of quarantine would seriously affect public confidence. That view was echoed by the then Minister when she gave evidence to the Committee. She said:

"Our scientific advice and our veterinary advice is that quarantine continues to be the most practical, most effective way of keeping rabies out."

I must add to my predisposition in favour of the retention of quarantine the fact that my withers are not at all wrung by the laments of pet owners at being separated from their dogs or cats. I am not a pet owner and I am not especially a pet lover. In the context of rabies, such emotion from pet owners is, to put it bluntly, irrelevant.

My change of mind during the course of the Committee's investigation was based strictly on the practical evidence that we heard and examined. First, as was mentioned by the hon. Member for Weston-super-Mare, the cost of quarantine is somewhere in excess of £1,000—indeed, we heard estimates of up to £1,500. Therefore, on at least a financial level, quarantine is a relatively easy option for the well-heeled, but a considerable burden for people of average means, such as many of the service personnel who gave us written evidence.

Secondly, as has been said, the cost of quarantine provides a positive incentive for the smuggling of animals. On our visit to the Heathrow quarantine station, we were given evidence of animals that had been abandoned in panic on the airport tarmac; we were shown a bush-baby with its hind legs broken, which had been smuggled in in someone's top pocket.

I might say, by the way, that when we were being entertained by the entire security staff of that quarantine station—we were in the reptile section—we suddenly found in front of us a splendid looking snake wriggling about on the floor, much to the alarm of the hon. Member for Congleton (Mrs. Winterton). That incident was, I recall, rather spectacularly recorded by the BBC.

On the issue of smuggling, I have not had a chance to read the British Medical Association document that came out a few days ago but, thanks to my hon. Friend the Member for Bristol, East, I have had a chance to read the covering letter. In two consecutive sentences, the letter states:

"Anecdotal evidence suggests few obstacles face those attempting to avoid quarantine by smuggling animals, particularly by car, from France to Britain. The present quarantine system has had a 100 per cent. success rate since 1971."

What sort of success rate is that? Of course, for the animals that are trapped by quarantine, there is a 100 per cent. success rate, but what about the others to which hon. Members have referred?

Mr. Wykeham of the Quarantine Kennel Owners Association pointed out to us in his evidence:

"Instances have occurred when the carrying agent for the quarantine kennel has failed for one reason or another to make the rendezvous with the ferry and the car carrying the animal has driven off the vessel and out of the port without check or hindrance."

We are talking not only about smuggling but, in some cases, about incompetence and lack of security.

Those incidents alerted me and, I am sure, other Committee members to the vastness and intricacy of the British coastline and the increase in the use of boats for pleasure and business. Ironically, the one link that seems secure from rabies is the channel tunnel, which has, as we saw for ourselves, very comprehensive defences against rabies. Virtually everywhere else seems to be vulnerable.

We also heard of—I will not go into this because my colleagues have discussed it—the experience of other countries such Sweden and Denmark. We also dealt with—this seems to me important—the arrangements for trading dogs and cats under the Balai directive and the exemptions for farm animal imports. Both point to an absurd discrepancy which is, not surprisingly, leapt upon by pet owners abroad who see that commercial advantage can remove quarantine like magic in some cases but that they remain trapped by quarantine. That is an injustice and illogicality which the Committee's recommendations properly address.

The Committee's recommendations on rabies control—in the end, unanimously and without reluctance—is, in my view, a stricter control than that offered by quarantine. They make no change to the importation of animals from non-approved countries—that is, countries where rabies is widespread—but introduce vaccination, microchipping and blood-testing regimes, retain import licensing and introduce animal passports.

As our report said, if we have erred, it is very much on the side of caution. The fact that the Government do not approve those recommendations emanates from their understandable desire to address what they perceive as a strong emotional desire on the part of much of the population to retain quarantine—the sort of feeling that I had about the matter when we started the investigation—and also the public perception that quarantine is the only answer.

It must be the Government's task occasionally to challenge emotional perceptions, and this is one such case. If the Government retain the status quo, they must say precisely why our recommendations would not strengthen the UK's defences against rabies and correct an illogical injustice.

The Committee's report covered a wide range of concerns. I shall raise just one, which particularly interested me. We were made very much aware—it was the main purpose of the investigation—of the increased problems in farm animal health created by the single market, the relaxation of borders in the EU, and the increased speed of the transit of animals. Despite our reservations, and those of our witnesses, about some areas of the European Union, on the whole the EU seems to take the problem seriously. However, we continually returned to the vexed question of movements of animals across the borders between eastern Europe and the EU.

Mr. Anthony, the retiring president of the Royal College of Veterinary Surgeons, identified three major disease corridors: first, Russia-Poland-Germany; secondly, Turkey and Iran through Greece to Austria; and thirdly and potentially, north Africa to Spain and Italy. He specified that veterinary training and standards of certification were unsatisfactory in some areas and that

"the checks at the borders"

of the EU

"are not as high as we would wish."

For example, he told us of the importation of loads of Polish sheep early in 1994, on which there were many documentary deficiencies. One load had animals that were unfit for human consumption and some dead on arrival. In Poland, those sheep are sold for £2 a head and the transporter gets £5 a head. They are sold in the UK for £27 a head—approximately £6,000 profit per lorry load. That is a considerable incentive for at least cutting corners in crossing the Polish-German border, an area that Mr. Anthony said was "very difficult to administer". Once such loads of animals are in the European Union, their movements are relatively unhindered.

Mr. Neal King, vice-president of the RCVS, told us:

"Over the years we have kept disease out by quality . . . we have done this by our own certification."

He said that we now depend on others and went on:

"We depend on their attitude to the animals coming in over their third country frontier rather than our attitude when they come in from the Channel to us".

Mr. Kershaw-Dalby, secretary to the National Cattle Breeders' Association, told us of animals going from Poland to France, where they tested positive for foot and mouth disease. He said:

"Some of those animals were never traced. The monitoring of ports is non-existent".

He said that some of the documentation was "obscure" and that, for example, the instruction that all cattle imported from Europe must be treated for warble fly appears

"on page 37 in minute print".

The NCBA also gave evidence of eastern European cattle being "laundered" in Austria, which at that time was a useful staging post because of its favoured status.

We therefore have four problems to face up to. The first is the leaky nature of the border between the European Union and the east and the clear deficiencies of the border inspection posts. Clearly, that is a task for the European Commission to tackle, and part of that job must be some hard education work in the eastern European countries, which is all the more necessary because of the likely closer relationship with Poland, former Czechoslovakia and Hungary in the not too distant future. The second is the need for much tighter monitoring and inspection of animals coming from Europe to the UK. The third is the need for clearer and tougher guidelines for dealers, importers and farmers, and the fourth is a much tougher pan-European regime for veterinarians.

I welcome the Government's response on holding periods, but the enthusiasm with which they embrace the notion in paragraph 7 of Command 2735 that the primary responsibility for preventing the introduction of disease now rests with importers is bothering. That is the only weak part of the Committee's report. Of course, most importers and farmers take their responsibilities seriously. They do not want to damage their herds; they do not want to introduce disease. However, in the case of the diseases that we have discussed, it takes few people—perhaps only one renegade—to create a catastrophe. The importer's responsibilities must be backed by the Government sanctions, which the Committee recommends. It is ultimately a communal priority and a communal responsibility, not only a responsibility of the importers.

Although our report rejected the alarmist "disease time bomb" theory outlined for us by some witnesses, there can be little doubt that, as movement of animals from eastern Europe and possibly also from north Africa and the near east increases, there is a clear potential danger of disease spread, accelerated by ease of movement in the EU. The specific recommendations made by the Committee in paragraph 47 of its report are a serious attempt to minimise risk. Naturally, there are financial implications, but the potential cost of a breakdown of fail-safe mechanisms is astronomical.

In a sense, the problems of combating rabies importation and of combating the importation of farm animal diseases are similar. In each case, success depends on accurate information, especially identification, on rigorous monitoring, on punitive sanctions against transgressors, on cost-effectiveness so as not to push people into transgression and on partnership between Government and the importers and farmers to ensure that risks are minimised, in all our interests.

I find it hard to reconcile the Government's deep suspicion of the European Union's progress on rabies control with their sanguine opinion of the disease importation problems of farm animals and the exemptions under the Balai directive. I can only conclude that the Government are responding with emotion in the first case and with some practical logic in the second case.

In my opinion, as a member of the Select Committee, who is not easily convinced of anything, the Committee members tackled both those main issues with scrupulous practicality. I urge the Government to make it a priority to reconsider the recommendations on replacing quarantine as soon as, in their own terms, the Swedish and Danish experiences can be reliably examined—I would hope, in 12 months.

9.26 pm

Mr. Richard Alexander (Newark): I shall be brief, so that others might have an opportunity to speak.

Probably no aspect of man's contact with the animal world creates more fear and anxiety than possible contact with rabies. It is an understandable fear, which the House must recognise, and which was articulated earlier, yet the Select Committee is telling the House, "Perhaps time has moved on; perhaps we should consider the issue again".

The popular reaction in the country is, "We have not had rabies in Britain for many years; let's not take risks now," or, "The channel tunnel is creating greater opportunities for rabies to come in; let's not take risks now." That was the gist of some of the evidence that the Select Committee received, but it also received evidence, which was new to many of us, of the unintentional stress and distress caused to animals—as well as that experienced by the owner—as a result of quarantine.

The animal must, as we know, be kept in quarantine for six months, which is a significant part of its life. It does not know that it is there for the good of the public; all it knows is that its owner and its friend has put it away

[Mr. Richard Alexander]

for six months. The Association of RAF Wives described quarantine as "an extremely cruel procedure", involving unnecessary expense, when there are obvious other ways in which to establish that there is no risk.

I shall not discuss cost in detail, but I shall emphasise the arguments that have been made about quarantine being expensive. It is expensive for the expatriate and for the diplomat and his family, and the cost increases the possibility of smuggling, which other colleagues have mentioned. The paradox is that, by imposing stringent controls and making the process expensive, the less responsible pet owner is tempted to smuggle and the decent, responsible pet owner has to pay the cost.

The British Medical Association has submitted a memorandum to many of us. We must recognise the concern of the people who would give medical care to anyone who was affected by rabies, which is an appalling prospect for the medical profession. In the memorandum, there is little scientific evidence to back up what the association says. In addition, the BMA, unlike the learned bodies that gave evidence to us, gives no evidence for the concern that it is now raising with hon. Members. It would have been helpful if the association had come to the Select Committee and told us its views.

We await the comments of the Parliamentary Secretary with interest. The Government's response to the Select Committee report was in three parts. The then Minister of Agriculture, my right hon. Friend the Member for Norfolk, South-West (Mrs. Shephard), said that the problem was "onerous for some people." That is precisely the point that the Committee made. The Committee would say that the problem is not merely onerous, but intolerable for thousands of decent British people who want to travel with their pets.

The Minister also accepted that microchips were reliable and that the blood test was effective one month after vaccination, yet the Ministry does not draw the obvious conclusion that a pet passport would be a safe method of taking a pet out of the United Kingdom into certain other countries and bringing it back. I suggest that Customs and Excise could easily control that method with the red channel at ports and airports—anywhere where there is a possibility of a pet coming in.

The report is far-sighted. The issue obviously raises emotions, but fortunately—and rarely in the House—it is a non-party political issue. The arguments have been set out and they have been adduced here tonight. It is up to the public and to their representatives to take the discussion further. I am sure that the House waits with great interest for the response from both the Government and the Opposition to what has been said today.

9.31 pm

Mr. Ieuan Wyn Jones (Ynys Môn): This has been an interesting and lively debate; it has also been instructive. All the members of the Select Committee who have spoken, other than the hon. Member for Weston-super-Mare (Sir J. Wiggin)—I am privileged to be a member of the Select Committee—came to the inquiry utterly convinced that the quarantine regulations had to stay as they were. It was the conduct of the inquiry and the evidence we heard, especially the overwhelming scientific evidence, that convinced us that the rules had to be changed and that quarantine eventually had to come to an end in a limited way in the United Kingdom. In our report, we have described the way in which the rules can now be changed.

Although I listened with great care to what the hon. Member for Faversham (Sir R. Moate) said, I am pretty convinced, knowing his attitude to the Committee's work, that if he had been a member of our Committee at the time, he would have started from the same position as us, but would have been persuaded, as we were, by the evidence we heard. It was a tall task to expect us to change our minds, but we did and it is right that those of us who are members of the Select Committee place that fact on the record.

There were four reasons for my changing my mind. First, I was convinced, in view of developments since the Waterhouse report in 1970, of the effectiveness of vaccine, of the use of microchips and of developments in medicine and technology. Secondly, I was convinced because of the success of the oral vaccine programme in the European Community. We had a briefing that it was likely that rabies would be eradicated, to take the most optimistic approach, in two or three years. Even the pessimists said that it would be eradicated by the end of the century. We are making excellent progress, from 8,500 cases of animal rabies in 1989 to 1,200 in 1993.

Since 1994, we have allowed in commercially traded dogs and cats, subject to certain conditions. I agree entirely with my hon. Friend—if I can call her that—the Member for Bristol, East (Ms Corston). The overwhelming evidence presented when the Committee visited Sweden and Denmark was the clincher for me. Those countries have traditions and problems that are similar to ours and Sweden has been rabies free since 1886. They examined all the evidence—including the fact that Sweden and Germany share a border—and they were utterly convinced that they should change the rules.

Finally, if we had thought for a moment that our recommendation would increase the risk of rabies, we would never have suggested it. The tests that we propose are as safe as the quarantine regulations, but they are far more efficient, less costly and much less distressing for the animals. We have put forward a proposal for the new century that is compatible with advances in medicine and in technology.

9.35 pm

Mr. Elliot Morley (Glanford and Scunthorpe): On behalf of the Opposition, I welcome the fifth report of the Agriculture Select Committee. It is up to the Committee's usual high standard, and we congratulate the Chairman, the hon. Member for Weston-super-Mare (Sir J. Wiggin), and the other Committee members on the way in which they have presented the report. I am a former member of the Committee and I enjoyed serving on it. I am familiar with the detailed work involved in preparing a report.

Controls on the importation of live animals are a key issue in terms of animal welfare and the economic impact on the country. We must ensure that we maintain our very high standards and our disease-free status. With the advent of the single market, concerns were expressed about the relaxation of checks at points of entry, so it was important to examine the issues in some detail.

I believe that we should continue to examine those controls and, in some cases, to tighten them. The suggestion of using coloured ear tags to identify the

country of origin of animal imports is a good idea that is worth further examination. The reintroduction of a holding period at points of distribution also has many advantages, not least in the context of the controversy surrounding live animal exports and imports. The holding period would provide an opportunity to examine the condition of the animals, to check for disease and ton ensure that they were being treated properly. In their response, the Government accepted the argument for a period of three working days and, while I welcome that concession, I prefer the Committee's original recommendation.

The Government have made it clear that importers must act responsibly. The campaign involving the distribution of "Don't Import Disease" leaflets has proved helpful. However, to be fair, some sectors of the industry—such as the pig sector—have introduced their own quality control measures and they deserve credit for that. The National Farmers Union also deserves commendation for its attempts to introduce a warranty and indemnity scheme.

However, guidance has not prevented outbreaks of disease such as warble fly in 1994. While I am aware that inspections have been increased at ports of entry, the Government must address a number of remaining problems. The first is accurate and consistent veterinary certification, as mentioned by the Committee. The second is a common standard of veterinary competence. That problem was recognised in the Bendixen-Dexter report, which I agree should be made public.

Thirdly, there is the problem of the absence of the system for information inspections at frontiers—SHIFT—computer system, which monitors animal movement. Even when computer systems are in place and working properly, there may be an accuracy problem. The Minister might recall the problem with the ANIMO system, which I identified in written questions that I tabled to him. I drew the Minister's attention to fraudulent certification—which is outside his control—and the fact that mistakes were being made when details were being entered into the database.

Fourthly, we must have adequate inspection procedures at points of entry. I do not believe that the single market precludes that and I note that the French are considering reintroducing spot checks at their borders. The state veterinary service has a major role to play in that process. I believe that the Government risk undermining the high standards of animal health in this Britain by cutting the state veterinary service. There has already been a staff cut of 31 per cent.—their number has decreased from 580 in 1979 to 403 in 1994. In 1979, there were 25 veterinary inspection centres; now, there are only 13.

There is concern that, after seven years, there are still quite a large number of outbreaks of BSE, but we welcome the overall sharp reduction in the number of cases. As has been said, sheep scab raises all-party concern. I note that, after many representations, the Ministry of Agriculture, Fisheries and Food has admitted that there has been an increase in sheep scab outbreaks since compulsory dipping ended in 1992. On MAFF's own figures in its recent report, private vets have reported an increase from 254 outbreaks in 1994 to 595 so far this year—more than double, only half-way through the year.

I also refer the Government to the recent report by the Farm Animal Welfare Council on the welfare of sheep. It calls firmly for sheep scab to be reinstated as a notifiable disease. The Government's response to that report was inadequate. The FAWC also recognises concern about the use of organophosphate sheep dips and the need for tight control as well as the development of alternatives. In effect, the Government said that the sheep industry should play a role in financing the development of alternatives. That is just not a realistic response because sheep farmers are among the poorest in the agriculture sector. They often have small farms, run by small self-employed families who are tough and self-reliant but not really in a position to provide a major contribution to such research.

I recently met a Mrs. Brenda Sutcliffe of Sheepbank farm, Littleborough and Saddleworth, with whom I had the privilege of discussing sheep dips and the problems of organophosphate dips. Incidentally, she probably knows more about the chemical composition and effects of OP sheep dips than anyone I have met. The Government owe people like Mrs. Sutcliffe and her family an open and detailed examination of claims about OP dips, and they should give some thought to how to help such people, who might not be able to work for their full working life if the claims about the detrimental effect prove to be correct.

I have a particular interest in bovine tuberculosis and badger control. It is a major area which deserves a debate on its own. I know that it has been proposed to refer the issue to the Select Committee, which would be a welcome step forward. At this stage, the Opposition remain unconvinced that the badger culling policy is either acceptable or, indeed, effective. I know and sympathise with farmers who are facing the problem and the financial impact of the outbreak of bovine TB. Nevertheless, there are a great many anomalies in the approach to the problem. The science is really shaky, because it has not been scientifically proved that badgers cannot be infected by cattle. That needs to be considered very carefully and, at the moment, too many people have set their faces against examining it.

As the Chairman of the Select Committee said, there would be an opportunity to look into that matter if the dairy industry were considered. I know that, given the hon. Gentleman's affection for badgers, he will look into the matter very sympathetically.

The part of the Select Committee report that deals with rabies has obviously attracted a great deal of attention. That is understandable, because rabies is a very emotional issue. It is a terrible disease, people are very concerned about it, and we have to ensure that we maintain our rabies-free status. On behalf of the Opposition, I have to say that the Select Committee's representations on the issue were well researched and well argued. It put forward a very convincing case, but we do not differ from the Government in that we want to ensure that the controls on rabies are effective. Before we move away from them, we must be convinced that any changes are workable.

Having said that, I believe that the Government's response has been somewhat negative. I have been impressed by representations made by people who have pets abroad and by those who believe that there are alternatives. The Government could be more open-minded, bearing in mind the changes in the directive. I wrote to the Minister suggesting that she consider a trial scheme in Cyprus, which is a rabies-free island, on the lines suggested by the hon. Member for Thanet, North (Mr. Gale). The system could be put in place and its effectiveness, or otherwise, examined. There would be no risk, because the animals would be travelling to and from

[Mr. Elliot Morley]

rabies-free islands. The Minister gave me a courteous written reply, but her point that other countries have a stronger claim was not convincing. Perhaps she will give that suggestion further thought.

We must not compromise Britain's rabies-free status, but there should be wide consultation, careful consideration and proper research into rabies and animal health control in general.

9.45 pm

The Parliamentary Secretary to the Ministry of Agriculture, Fisheries and Food (Mrs. Angela Browning): I have a sense of déjà vu, because one forfeit of becoming a junior Agriculture Minister was losing my place on the Select Committee so ably chaired by my hon. Friend the Member for Weston-super-Mare (Sir J. Wiggin). I am grateful to the Select Committee for prompting this debate, and I will attempt to reply to many of the questions that have been put, particularly by Select Committee members.

Last year's report was an invaluable investigation into the problems associated with the import of live animals. The members of the Committee must be congratulated on their clear and detailed analysis of the risks that our current arrangements present to our high animal health status. I pay tribute to the veterinary and medical professions for their contribution to the debate. It is clear that the two professions share the Government's cautious attitude to this important issue.

The Government welcome the Committee's endorsement of the health controls that have been put in place following completion of the single market in 1993. That vindicates the Government's approach in dealing with the threat of imported animal disease, although we are by no means complacent. We welcome the Committee's conclusion that the risk of disease entering the United Kingdom through imported livestock has not increased to any appreciable extent.

We are pleased at the support given by the Committee to the introduction in 1993 of strengthened measures designed to maintain the United Kingdom's high animal health status. We agree with the Committee that primary responsibility for protecting the United Kingdom's high animal health status under the new single market arrangements rests with the importers of animals.

In November 1993, my right hon. Friend the then Minister of Agriculture, Fisheries and Food, now Secretary of State for Education and Employment, announced newly strengthened measures to maintain Britain's high animal health status. Those measures, which remain in force, include 24-hour periods of blanket surveillance at all south and east coast ports, and targeting consignments where there is a particular animal health disease risk—with up to 100 per cent. checks and increased checks at points of destination so that, on average, between 50 and 60 per cent. of consignments are checked.

Where there is specific cause for concern, additional steps have been taken. They include 100 per cent. checks for warble fly on all cattle imported from France, serological testing of all cattle imported from eastern Europe for FMD antibodies, and increased checks at the point of destination of cattle from France and the Netherlands for brucellosis. All those measures have played, and continue to play, a vital part in preventing the importation of disease.

My hon. Friend the Member for Weston-super-Mare and the hon. Member for Glanford and Scunthorpe (Mr. Morley) mentioned the Bendixen-Dexter report. We agree that it should be made available in full to all member states by the Commission. We shall continue to press for that, together with an indication of the action taken where inadequacies have been found. We consider that to be most important.

I am grateful to my hon. Friend the Member for Thanet, North (Mr. Gale) for his kind comments. We agree on most things, but we may not agree on everything tonight. My hon. Friend mentioned the new rules for protection against equine viral arteritis. Anyone interested in equine health will welcome that measure. When I have met interested parties in the past, I have had to say, "That measure is coming shortly." I am pleased that it is now in place. In addition, stallions imported from third countries to the Community must have originated from a country that has been free of EVA for at least six months, or the stallion's blood or semen must have been tested, with negative results for EVA, before export. That, I think, will be welcomed.

The hon. Member for North Cornwall (Mr. Tyler) mentioned several issues, one or two of which were picked up by others. He talked about BSE. When we receive scientific information, we put it in the public domain as quickly as is practically possible. The hon. Gentleman also mentioned the attitude of the Germans, who at times have been less than fair in the way in which they have assessed the stringent measures on BSE that we have taken.

We have made changes recently because, as new evidence has come to light, we have felt it important to act. We have changed the rules in feed mills, where we thought that there could have been cross-contamination for quite some time after the ban. Feed was being processed for the pig and poultry industries on the same lines, and that may have created some cross-contamination. We have tried to put that right, and the industry has responded well.

As for the case of the post-92 birth, the Germans and our partners in the Commission have renegotiated the two-and-a-half-year rule. I do not think that that will press the industry hard or cause it problems. It was important to act as the evidence emerged.

The hon. Member for North Cornwall also discussed maternal transmission. All the evidence shows that, if BSE had been caused by maternal transmission, it would not have resulted in the numbers affected. Those numbers are now falling, but we have never ruled out the vertical—

Mr. Morley: Ah.

Mrs. Browning: That is precisely the sort of irresponsible remark that brings the red meat trade of this country into disrepute. We have never ruled out categorically either vertical or horizontal transmission. That is why we have some pretty strong regulations. I know that the farming community finds them inconvenient, but we felt it necessary to ensure people's continued confidence in our red meat industry.

The hon. Members for North Cornwall and for Glanford and Scunthorpe also mentioned bovine TB. They know that I am concerned about that, and the hon.

Member for North Cornwall asked the Select Committee to look into it. I can assure him that the Government would welcome giving evidence to the Committee if it proceeds to do so.

As the hon. Gentleman will know, we are also examining OP dips, a subject that I take seriously. We are giving sheep scab and the problems of OP dips our fullest attention. I shall continue to work with the hon. Gentleman and with his committee to share any information that is available. I hope that he appreciates that.

Rabies took up the major part of tonight's debate. The hon. Member for Bristol, East (Ms Corston) said that the last death from rabies in Europe occurred in France in 1928. In fact, the last recorded death was in 1990, in Leipzig, which at the time was in East Germany but which is now in the Community. In Europe, there have been 198 cases of human rabies since 1977.

My hon. Friend the Member for Weston-super-Mare talked of the advantages for tourism and said that in France the subject is rarely spoken of. Furthermore, the hon. Member for Bristol, East said that this country is a laughing stock in Europe. I must tell them both that 10,000 people a year in France get rabies treatment as a precaution after bites and scratches. So this is not a trivial matter, and it is discussed in France. Those 10,000 people are concerned about their personal health. That helps to put the issue in perspective—*[Interruption.]* The hon. Lady should listen to the facts, instead of calling this country a laughing stock. We are not a laughing stock. We have taken careful and proper action to protect the health of our animals and the health of the human beings in this country.

Quarantine for rabies is, as tonight's debate has shown, a sensitive issue. It is also technical and scientific. I know that there are arguments from both sides of the House, and we heard many of them tonight, but we believe that one must recognise that rabies remains a serious health risk in many parts of the world, including mainland Europe, where, for example, there have been four deaths—in Hungary—in recent years. It is not just a matter for the Indian subcontinent, as it affects all of us on mainland Europe. Although both wild and pet animals can be vaccinated against the disease, and humans can be treated if the disease is caught in the early stages, it is an extremely unpleasant disease and once the symptoms emerge in man, the disease is invariably fatal.

When rabies was eradicated from the United Kingdom in the early part of the century, we believed that the consequences of the disease re-entering the United Kingdom would be severe and that there would be considerable public concern about it. An outbreak would lead to the destruction of wildlife over a wide area, and onerous controls would be put on pet owners until the disease was wiped out. We would have the same situation as that in France: anyone who was scratched or bitten would immediately feel the necessity to go and seek medical help. Whether or not a diseased animal was involved, the fear would be there in the population.

The Government therefore endorse the view expressed by the Select Committee in its report that it would never support a change in our rules that increased the likelihood of rabies entering the United Kingdom. We consider that that central principle must be borne in mind when considering any change. We believe that the quarantine rules have been effective since 1922.

It has been suggested that quarantine encourages smuggling and that an alternative system would reduce the risk of smuggling. Animals under three months cannot be vaccinated. They would then have a six-month period before they were free to travel, so we are looking at all animals under the age of nine months not being able to travel. It is often those sweet little kittens under nine months that people smuggle back into this country in their pockets. I am not convinced that the argument made tonight would in any way contribute to solving the problem of animals, particularly kittens, being smuggled into this country.

Sir Roger Moate: Can my hon. Friend therefore put at rest my fears about a story that was reported in the *Sunday Express* a few weeks ago, in which it was said that she was going to have a trial period for relaxing quarantine regulations between here and Cyprus and Malta?

Mrs. Browning: Indeed. I can confirm that to my hon. Friend. I wrote to the editor of the *Sunday Express*. He has not yet published my letter, in which I explain that that was not true. I hope that he will find the space to do so and put it on the record this Sunday.

This has been a detailed and, sometimes, quite emotional debate. It does bring out emotions, because people feel very strongly about their pets. Although hon. Members who take the opposite view from that of the Government may find it hard to believe, I am a cat owner and I would find separation very difficult. When it is safe to make changes, the Government will do so, guided by the principle that I mentioned at the outset. We will not support changes that increase the likelihood of rabies entering the United Kingdom.

Mr. Tyler: I very much appreciate the positive response from the Minister to the points that I raised this evening.

I beg to ask leave to withdraw the amendment.

Amendment, by leave, withdrawn.

Sir Jerry Wiggin: I thank my hon. Friend for her reply. I am satisfied that we have won the argument this evening. I hope that the Government will allow common sense to overcome emotion, and that they will keep the matter constantly under review, observe our European partners, who have made these substantial changes, and after a short time, look at the whole matter again to relieve suffering, cost and danger to our community.

Question deferred, pursuant to paragraph (4) of Standing Order No. 52 (Consideration of estimates).

It being Ten o'clock, MR. DEPUTY SPEAKER *proceeded to put forthwith the deferred Questions which he was directed by paragraph (5) of Standing Order No. 52 (Consideration of estimates), to put at that hour.*

ESTIMATES, 1995-96

Class XIII, Vote 1

Question,

That a further sum, not exceeding £18,829,738,000, be granted to Her Majesty out of the Consolidated Fund to defray the charges that will come in course of payment during the year ending on 31st March 1996 for expenditure by the Department of Social Security on non-contributory retirement pensions, Christmas bonus payments to pensioners, pensions etc., for disablement or death arising out of war or service in the armed forces after 2nd September 1939 and on

sundry other services, on attendance allowances, invalid care allowance, severe disablement allowance, disability living allowance; disability working allowance; on pensions, gratuities and sundry allowances for disablement and specified deaths arising from industrial causes; on income support, payments of spousal and child maintenance, child benefit, one parent benefit, family credit, and on the vaccine damage payment scheme.

put and agreed to.

Class XIII, Vote 2

Question,

That a further sum, not exceeding £6,104,207,000, be granted to Her Majesty out of the Consolidated Fund to defray the charges that will come in course of payment during the year ending on 31st March 1996 for expenditure by the Department of Social Security on rent rebate, rent allowance, council tax benefit, community charge benefit, community charge rebate and rate rebate subsidies and on sums payable in respect of anti-fraud measures to housing, charging, levying and local authorities; on transitional payments to help certain housing benefit claimants significantly affected by the changes to the housing benefit scheme and certain supplementary benefit claimants not entitled to benefit under the income support scheme; on sums payable into the National Insurance Fund to increase its income and as compensation payments in respect of statutory sick pay and statutory maternity pay and on sums payable into the Social Fund for expenditure on maternity expenses, funeral expenses and heating expenses in exceptionally cold weather.

put and agreed to.

Class XIII, Vote 3

Question,

That a further sum, not exceeding £211,869,000, be granted to Her Majesty out of the Consolidated Fund to defray the charges that will come in course of payment during the year ending on 31st March 1996 for expenditure by the Department of Social Security on sums payable as grants to Independent Living; on subsidies to housing and local authorities towards the cost of administering the housing benefit scheme and to charging and levying authorities towards the cost of administering the council tax benefit scheme, as grants to Motability towards their administrative costs and to enable them to assist invalid vehicle users and others to have adapted and/or to purchase or lease cars from them, as grants to the British Limbless Ex-Servicemen's Association to enable them to assist certain other disabled vehicle users to have cars adapted, and on sums payable to the Social Fund to finance budgeting loans, crisis loans and community care grants.

put and agreed to.

Class XIII, Vote 4

Question,

That a further sum, not exceeding £1,450,436,000, be granted to Her Majesty out of the Consolidated Fund to defray the charges that will come in course of payment during the year ending on 31st March 1996 for expenditure by the Department of Social Security on administration, for agency payments, the promotion of Government policy on disability issues, and for certain other services including grants to local authorities and voluntary organisations.

put and agreed to.

Class III, Vote 3

Question,

That a further sum, not exceeding £263,921,000, be granted to Her Majesty out of the Consolidated Fund to defray the charges that will come in course of payment during the year ending on 31st March 1996 for cash limited and demand led operational expenditure by the Ministry of Agriculture, Fisheries and Food to: promote food safety, take action against diseases with implications for human health, safeguard essential supplies in an emergency, and promote action to alleviate flooding and coastal erosion; to encourage action to reduce water and other pollution and by other measures to safeguard the aquatic environment including its fauna and flora, to improve the attractiveness and bio-diversity of the rural environment and protect the rural economy; implement MAFF's CAP obligations efficiently and seek a more economically rational CAP while avoiding discrimination against UK businesses (including expenditure on existing CAP measures and schemes), to create the conditions in which efficient and sustainable agriculture, fishing and food industries can flourish, take action against animal and plant diseases and pests, encourage high animal welfare standards; provide specialist support services and allocate resources where they are most needed; provide for some inter-agency payments and undertake research and development.

put and agreed to.

Class III, Vote 4

Question,

That a further sum, not exceeding £181,719,000, be granted to Her Majesty out of the Consolidated Fund to defray the charges that will come in course of payment during the year ending on 31st March 1996 for expenditure by the Ministry of Agriculture, Fisheries and Food on departmental research, advisory services and administration, executive agencies and certain other services.

put and agreed to.

It being after Ten o'clock, MR. DEPUTY SPEAKER *proceeded to put forthwith the Question which he was directed by paragraph (1) of Standing Order No. 53 (Questions on voting of estimates, &c.), to put at that hour.*

ESTIMATES AND SUPPLEMENTARY ESTIMATES, 1995-96

Resolved,

That a further sum, not exceeding £85,741,525,000 be granted to Her Majesty out of the Consolidated Fund to complete or defray the charges for Defence and Civil Services for the year ending on 31st March 1996, as set out in House of Commons Papers Nos. 271, 272, 273 and 465.

Ordered,

That a Bill be brought in on the foregoing resolutions: And that the Chairman of the Ways and Means, Mr. Chancellor of the Exchequer, Mr. William Waldegrave, Mr. David Heathcoat-Amory, Mrs. Angela Knight and Mr. Michael Jack do prepare and bring it in.

CONSOLIDATED FUND BILL

Mr. Michael Jack accordingly presented a Bill to apply a sum out of the Consolidated Fund to the service of the year ending on 31st March 1996; to appropriate the supplies granted in this Session of Parliament; and to repeal certain Consolidated Fund and Appropriation Acts: And the same was read the First time; and ordered to be read a Second time tomorrow and to be printed [Bill 137.]

STATUTORY INSTRUMENTS, &c.

Motion made, and Question put forthwith pursuant to Standing Order No. 101(5) (Standing Committees on Statutory Instruments, &c.),

CONTRACTING OUT

That the draft Contracting Out (Highway Functions) Order 1995, which was laid before this House on 27th June, be approved.—*[Mr. Bates.]*

Question agreed to.

EUROPEAN COMMUNITY DOCUMENTS

Motion made, and Question put forthwith pursuant to Standing Order No. 102(9) (European Standing Committees),

PRELIMINARY DRAFT BUDGET FOR 1996

That this House takes note of European Community Document No. COM (95) 300, the Preliminary Draft Budget of the European Communities for 1996; and supports the Government's efforts to maintain budget discipline in the European Community.—*[Mr. Bates.]*

Question agreed to.

Public Health

Mr. Deputy Speaker (Mr. Michael Morris): With permission, I shall put together the two motions on public health.

Resolved,

That the Food Protection (Emergency Prohibitions) (Paralytic Shellfish Poisoning) (No. 5) Order 1995 (S.I., 1995, No. 1714), dated 4th July 1995, a copy of which was laid before this House on 6th July, be approved.

That the Food Protection (Emergency Prohibitions) (Paralytic Shellfish Poisoning) (No. 6) Order 1995 (S.I., 1995, No. 1737), dated 6th July 1995, a copy of which was laid before this House on 10th July, be approved.—*[Mr. Raymond S. Robertson.]*

Probation Service

Motion made, and Question proposed, That this House do now adjourn.—*[Mr. Bates.]*

10.1 pm

Mr. Anthony Coombs (Wyre Forest): In initiating this debate on the probation service, I refer first to what the Home Secretary said in March this year when he introduced the current consultative paper, "Strengthening Punishment in the Community". He said:

"The probation service can be rightly proud of its work and I appreciate the dedication and commitment shown by probation staff and members of committees in their work."

I was quoted in the 1993-94 Hereford and Worcester probation service annual report when I spoke approvingly of much of the work that it does and, in particular, of the community projects and their effect on reducing reconviction.

There is no doubt that the work of the probation service has increased dramatically. Last year, there were 233,000 pre-sentence reports, 2,000 of which were in Hereford and Worcester, which is itself a 12 per cent. increase on the previous year; 151,000 people were under probation service supervision, and there were 32,800 community sentences.

The probation service was involved in a huge area of work, some of it to do with the criminal justice system—liaison with the courts, prisoners and hostels and pre-sentence reports—and some outside the criminal justice system such as child welfare, family work and crime prevention in a more general context.

That increase in work occurred despite the fact that it in the current year its total budget has fallen from £395 million to about £392 million, which has been translated into a 6 per cent. reduction in Hereford and Worcester.

In 1993, the Minister of State, Home Office said:

"If the probation service did not exist we would have to invent it".

The service does valuable work, and what I am about to say is in no way a criticism of the dedication that many probation officers bring to their task. "Strengthening Punishment in the Community" reminded us:

"The present arrangements suffer from the drawback that probation and supervision orders do not appear to the public to offer sufficient punishment."

Commenting on the consultation document, *The Times* said that the Home Secretary had

"taken measures to rid the public of the idea that community sentences are a soft option."

Unfortunately, many members of the public feel that probation and community service orders, and other community sentences, are not as rigorous as they should be, and that the probation service looks too much to its rehabilitative role and too little to its role in preventing further crime and protecting the public from crime by ensuring that sentences are not only rehabilitative but a deterrent to further offending.

There may be some justification for that view. Only 26 per cent. of indictable offences that come before the courts result in community sentences, and only 11 per cent. result in imprisonment. That means that some two thirds of offenders are either fined or given a non-custodial sentence of some other kind. The public do not consider that a sufficient deterrent. There has also been a huge increase in cautioning. Some of that may involve first

[Mr. Anthony Coombs]

offences, but much does not. One can understand the feelings of many members of the public, including my constituents, who want elements of punishment to be returned to non-custodial sentences and community service orders.

Recently, there have been several cases of young people aged 14 or 15—sometimes they are as young as 11 or 12—acting in a grossly irresponsible and, indeed, criminal way in the leisure centre in my constituency. That has caused outrage in the community, but local magistrates seem powerless to effect a remedy.

Part of the problem appears to be the ethos of the probation service. It is very social-work oriented, as most of its members have a social-work qualification. The Hereford and Worcester 1994-97 plan for the probation service identified crime as a community problem, saying that one of the service's roles was to ensure that the community could respond to and reduce its offending. Although a third of the male population aged 30 may have some form of criminal record, the fact is that the vast majority of the community does not, and does not need to reduce its offending. My local police force tells me that, if just 20 offenders could be dealt with locally, crime could be reduced by some 50 per cent.

Too often, the probation service sees the offender, rather than the victim, as the actual victim. Although there is a correlation between dropping out of school, unemployment and family instability and crime, I do not think that the problem is as "reactive" as the probation service wishes to make out. According to the service,

"Personal and social problems might put them"—

young people—

"at risk of further offending",

as though offending were something that happened to people rather than their taking a specific decision.

In Hereford and Worcester's "Link" magazine, the assistant chief probation officer recently quoted approvingly some Liverpool university studies showing a correlation between unemployment and crime. We are all aware of that, of course. He said that this was bad news for the

"let's get tough and punish lobby".

In other words, the probation service believes that the idea of punishment is something for the far right of the political spectrum rather than, as is the case, a reflection of the views of the vast majority of the population.

That is especially so as the Association of Chief Officers of Probation has quoted recent Home Office studies that show that, despite what the probation service might like to argue, the two-year reconviction rate of the probation community service is not much different from that of prison. I think that the relevant reconviction statistics are 53 per cent. for prisons, 49 per cent. for community service and 45 per cent. for probation, so the idea that probation is a major panacea against further convictions is erroneous.

In certain cases, the probation service seems totally unwilling to recommend custodial sentences as appropriate, despite the wishes of the population. The Hereford and Worcester annual report of 1993-94 showed that pre-sentence reports recommended a custodial sentence in only 11 cases in the whole year, despite the fact that 484 sentences were passed.

If we are to improve public confidence in the probation service, we need to change the culture. That is why I am especially pleased at the first of the Government's three major reforms, which will do away with the probation service's exclusive entry qualification: the certificate in social work. It is vital that we increase the number of people who come into the probation service by bringing in people from other sectors than social work.

As the Home Secretary has reminded us, the work of social workers and of probation officers is significantly different. People who have never been involved in social work have an important contribution to make to social work. If we can ease their passage into the probation service through additional qualifications, which must be nationally validated—they cannot be left entirely to local validation—we will be effecting a major and important reform.

Equally, I agree that there should be a more flexible continuum between community service orders and probation orders. Community service orders are oriented more towards punishment; probation orders are oriented more towards the prevention of further offending. Any effective order should contain significant proportions of both. Community service orders and probation orders should be available to the courts for all offences and not for ones that are merely imprisonable.

Mr. Michael Fabricant (Mid-Staffordshire): I appreciate that my hon. Friend has only just begun to expand his argument, but it seems that he is arguing very well for the total abolition of the probation service. Is he not saying that the service is no more effective—in fact, probably less so—than prison and other sanctions in stopping people committing other crimes, and that it is not a deterrent?

Mr. Coombs: There are other reasons for doing non-custodial work apart from those involving deterrence. The probation service has an important role to play, but the element of punishment and deterrence in its work has been undervalued and, as a result, the Government's reforms, in particular those in relation to the greater control by magistrates of the details of community sentences, are extremely important.

I shall give an example of what can go wrong. I recently took up the case of some constituents who were worried about a hostel and the activities of its residents. It is not directly supervised by the probation service, but there is a liaison officer. I was told by the probation service's chief officer that she understood that, in the past two years, hostel residents had committed no offences. I checked with the police and found that its residents had committed 343 offences in 1993 and 390 offences in 1994—26 per cent. and 27 per cent. of the crime in the town in which the hostel is situated. Is that an example of protecting the community via community service in hostels?

I should like to emphasise one or two other areas in which the work of the probation service could be significantly improved. I have already mentioned the very young criminal. I should like to see the minimum age for community service orders reduced from 16. At present, for a 15-year-old offender in my area, magistrates can impose a fine, which may not be paid because parental fines are difficult to enforce under the present legislation, or he could be locked up in a youth offenders' institution but, understandably, magistrates are reluctant to do that.

We no longer have an attendance centre in Hereford and Worcester, so that is not an option and supervision is too often not effective to the extent that the Home Office has recently had to lay down standards saying that the impression should not be given of providing reward for offending. It is my view that community service orders, which can be made rigorous, should be extended to 14 and 15-year-olds under any new legislation.

I believe that, short of youth custody, attendance centres and boot camps should be established on the lines of those set up by the airborne initiative in Scotland and down on the south coast—and, hopefully, soon in the midlands. About two thirds of those who successfully get through those camps do not reoffend. I believe that probation supervision grants, which are currently not available to fund the capital costs of such schemes, should be made available so that more of them can be set up. I believe that better co-ordination is necessary between the probation service and local employers and training and enterprise councils. Someone who is offered a job after having been on a community service order is less likely to reoffend. That is beyond peradventure. Very good work is going on in the Hereford and Worcester area through the Doors project.

The criminal justice system for juveniles is too slow. It can take anything from six to nine months between an offence being detected and arrest being made and a punishment being imposed by the courts. A pre-trial meeting is necessary with social services, which means a delay of two or three months, then the trial itself, pre-trial sentence reports cause further delays and then sentencing. Because there is no immediacy, it is difficult to identify the offence with the punishment in the minds of the young offenders. That is a view held by the clerks to the magistrates in my local area, and I am sure that the Government will wish to investigate it.

Currently in Hereford and Worcester, nine of the 15 members of the probation committee are magistrates. Magistrates do have an important role to play, but it is not an exclusive role. I believe that the scope of probation committees should be extended to include laymen who are looking for a more deterrent and retribution-oriented community service provision.

It is crucial that we change the way in which sentences, whether custodial or non-custodial, are organised for young offenders in particular. Too often, the sentence increases in severity with the criminal record of the individual involved. I understand that it is important that individuals are not unduly involved in the criminal justice system at too early an age. However, in certain circumstances, it is important to frighten young people away from a life of crime, especially if it looks as if they are just about to begin one.

I am not convinced—and certainly many people involved in the magistracy in the Hereford and Worcester area are not convinced—that there are sufficiently severe and deterrent penalties available for young people at the beginning of their criminal careers to deter them and their friends from further criminal activity. A magistrate's clerk recently explained to me that, sadly, under the present structure there is no question of frightening the life out of a 17-year-old, thereby preventing further criminal behaviour, if he has gone a long way down the tracks towards a criminal career.

What is beyond peradventure is that, if the criminal justice system is to work effectively, either through custodial sentences or through non-custodial community sentences, it must concentrate not only on rehabilitation, the needs of the offender, his place in society and appropriate programmes to prevent reoffending but on the certainty and rigour of punishment—deterrence as well as rehabilitation—because only then will the confidence of the community as a whole in the criminal justice system—and, by implication, in the work of the probation service—be maintained.

The Home Secretary has spoken about the current consultation document and strengthening punishment in the community. If he wants, as he has said, to rise to the needs of the 21st century in significantly reducing crime and the causes of crime, the sort of change in culture and in operational procedures that I have mentioned will be crucial to improving and maintaining public confidence in the criminal justice system.

10.21 pm

The Parliamentary Under-Secretary of State for the Home Department (Mr. Nicholas Baker): The title of this debate is the probation service, but the issues raised by my hon. Friend the Member for Wyre Forest (Mr. Coombs) go much wider than that. There is rightly a great deal of concern about the high levels of crime committed by a small number of young people. We are determined to tackle the problem of persistent offending by juveniles, and I am grateful for this opportunity to explain some of the action that the Government are taking to combat it.

I know that my hon. Friend will be meeting my colleague the Minister of State shortly to take these discussions further. In the time remaining to me tonight, I shall try to cover the points raised by my hon. Friend, but if I do not cover them all I am sure that his discussions with the Minister of State will provide an opportunity to continue the debate. I think that my hon. Friend will be pleased to learn that what he says and what the Government are doing have a great deal in common.

The supervision of juvenile offenders in the community, as my hon. Friend is undoubtedly aware, is for the most part the responsibility of social services departments. He also raised a number of issues relating to the probation service and I am grateful to him for that. There are too few opportunities to debate the work of the probation services and the contribution they make to the prevention of further crime and to the protection of the public. I therefore welcome this valuable opportunity to explain the action that we are taking to toughen up community penalties, to which my hon. Friend referred, and to strengthen the performance of the probation service.

I understand that my hon. Friend visited Hereford and Worcester probation service's community services schemes last summer and was impressed. I am delighted to hear that, but I am not surprised. Probation services have moved a very long way from their original welfare-oriented approach, especially in recent years. The Criminal Justice Act 1991 turned the probation order into a sentence of the court, and it now takes its place as part of one of a range of community penalties available to the courts.

The Government have taken a number of measures to ensure that probation services deliver a high standard of service to the courts and that they deliver tough and

[Mr. Nicholas Baker]

demanding punishments and protect the public from the risk of further crime. The prevention of reoffending is an important part of that work, but I think that my hon. Friend underestimates the extent to which the ethos of the probation service has moved away from rehabilitation. The 1995 national standards, to which I shall refer in a moment, ensure that that objective is properly placed against the need for supervision and enforcement of community sentences.

I shall say a word about the problem of persistent offending juveniles, to which my hon. Friend referred. The vast majority of young people are perfectly law-abiding, but that makes the behaviour of a small number even more inexcusable since it tarnishes the image of young people, most of whom lead responsible lives and contribute a great deal to their communities. However, persistent offending is a significant problem.

A high percentage of crime in any particular area is most often found to be committed by a small number of offenders, sometimes very young offenders. My hon. Friend referred to that. For example, one study of persistent offending found that, by age of 17, 1 per cent. of all boys born in 1973 were responsible for 60 per cent. of convictions in their age group. We are determined to tackle this problem of persistent offending. To do so, it is essential that the courts have available to them effective and appropriate powers.

My hon. Friend referred to the remedy of secure training centres. I would like to say a word about that because, where the crimes are serious enough, it is right that the courts should have a range of tough measures to deal with them, from custody to community sentences. In particular, when young offenders go on and on committing crime, rejecting the chances offered them by courts to change their ways through supervision in the community and continuing to cock a snook at the public, the law and society, then the courts should have tough sanctions against them. There, my hon. Friend's point about early penalties being more effective may well be relevant to what we have in mind.

The Government introduced in the Criminal Justice and Public Order Act 1994 a new sentence—the secure training order—to strengthen the courts' powers in respect of 12 to 14-year-olds who persistently offend and who fail to respond to a community sentence. It will provide the courts with a much-needed sentence for this group of offenders combining a period of high-quality training in detention with a close supervision after that in the community. The order can be for as long as two years.

We are now pressing ahead with the building of five new secure training centres. Invitations to tender for the provision of secure training centres at Gringley, Nottinghamshire and Cookham Wood, Kent are currently been assessed. Invitations to tender for building and running the other three centres will be issued as soon as the necessary planning consents have been granted.

The courts also need a range of tough community sentencing options for those offenders who commit crimes which are not sufficiently serious to warrant custody but which ensure that offenders pay for their actions. Community sentences have a crucial part to play in punishing offenders in appropriate cases and in ensuring that offenders put back something into the community. The Government are determined that community sentences should be rigorous and that probation services take quick action, if offenders continue to misbehave, to return them to court.

I said that I would say something about national standards, because that is why, in March, my right hon. and learned Friend the Home Secretary published new national standards for the supervision of offenders in the community. They apply equally to probation services and social services departments. The new 1995 national standards are designed to deliver greater protection of the public from further crime and more vigorous enforcement of community sentences by probation and social services departments. These new standards ensure that offenders serving community sentences face demanding programmes of supervision or work or both, in which the courts and the public can be confident that supervision will be physically or mentally demanding and that no community sentences can be properly or validly described as a soft option—as some do describe them, as my hon. Friend remarked.

The public want to see offenders make reparation to the community, and they want to feel safe. The new standards emphasise the development of programmes of supervision, which have those objectives as their primary aim. That means that the loophole in the old standards, which resulted in a number of offenders going abroad, looking like a reward for their offending, has been closed. Every activity must now be assessed to ensure that it cannot be seen as a reward for offending.

I have run out of time and must conclude by urging my hon. Friend to continue his discussions with the Minister of State. As I said at the beginning, I am grateful to him for raising this issue so that I could remind the House of some of the Government's recent initiatives to combat serious and persisting juvenile crime and strengthen community sentences. I have listened to my hon. Friend's concerns with great interest, and I hope that he will continue his interest in this important subject, to which he has made an important contribution.

Question put and agreed to.

Adjourned accordingly at half-past Ten o'clock.

House of Commons

Friday 14 July 1995

The House met at half-past Nine o'clock

PRAYERS

[MADAM SPEAKER *in the Chair*]

9.34 am

Mr. Nigel Spearing (Newham, South): On a point of order, Madam Speaker. There has been much publicity this morning about a Government announcement on sport. I speak as someone who was heavily engaged in sport for 14 years before coming to this place, as a coach and as a participant in spare and school time.

I understand that an announcement will be made outside the House at 11.30 this morning. Have you received a request for a Minister to make a statement at 11 o'clock? Up to what time can the Government make such a request if they change their mind and decide to make a statement? Are you aware that the money that will be the subject of the announcement is not public money, although some people might think that it is?

Mr. Dennis Skinner (Bolsover): Further to that point of order, Madam Speaker. I see that the Minister of State, Department of National Heritage is in the Chamber. It is conceivable that he might be able to say something about the matter raised by my hon. Friend the Member for Newham, South (Mr. Spearing) while he is dealing with the first Lords amendment to the Olympic Symbol Etc. (Protection) Bill. That would be inappropriate, however, because hon. Members would not be able to challenge the Minister as they would be able to do if he made a statement in the normal manner. We need an assurance from the Minister that he will make a statement at the appropriate time to tell us that lottery money will not be involved. If it were, the Government would be stealing money from the lottery, something that we suggested could happen a long time ago.

Madam Speaker: Order. I cannot allow a debate on a point of order. I take note of the remarks of the hon. Member for Newham, South (Mr. Spearing).

The Minister of State, Department of National Heritage (Mr. Iain Sproat) *rose—*

Madam Speaker: I understand that the Minister wishes to respond.

Mr. Sproat: Thank you, Madam Speaker. Rather than taking up time during a private Members' day by making a statement, I thought that it would be for the convenience of the House to set out our new sports policy in a written statement, which I have done. The policy paper is in the Vote Office. Also for the convenience of the House, I understand that next week we shall have a full debate on the subject. That means that we shall have more time to debate the subject than would be available to the House if I were to make a statement today. I thought that it would be best for the House to debate the matter as fully as possible. I hope that, with that explanation, hon. Members will be satisfied.

Orders of the Day

Olympic Symbol Etc. (Protection) Bill

Lords amendments considered.

Clause 2

RIGHTS CONFERRED

Lords amendment: No. 1, in page 1, line 21, leave out ("section") and insert ("sections").

9.37 am

Mr. Nicholas Winterton (Macclesfield): I beg to move, That this House doth agree with the Lords in the said amendment.

Madam Speaker: With this it will be convenient to take Lords amendments Nos. 2, 12, 14 and 15.

Mr. Winterton: The House will be aware that the Bill makes provision for the use for commercial purposes of the controlled representations:

"(i) the symbol of the International Olympic Committee, consisting of five interlocking rings,

(ii) the motto of the International Olympic Committee, 'Citius, altius, fortius', and

(iii) the words 'Olympiad', 'Olympiads', 'Olympian', 'Olympians', 'Olympic', 'Olympics'"

and translations.

The Bill will give the person to be designated by the Secretary of State as the proprietor of the Olympics association right, the British Olympic Association, exclusive right to use the controlled representation during the course of trade. It creates a commercial property right that I would describe as a regime similar to that of the Trade Marks Act 1994 relating to registered trade marks, and will enable the BOA to raise revenue for British athletes for sponsorship with the benefit of statutory protection.

The Bill also gives effect to commitments made by the Government to the IOC to introduce legislation to protect the Olympic symbol, motto and protected words in the United Kingdom. Such statutory protection is a precondition of any future bid for the Olympic games in the United Kingdom. It is unfortunate that that protection did not exist when Manchester, a city close to my heart, made a bid, sadly unsuccessful, to host the games a few years hence.

On Second Reading my hon. Friends the Members for Hexham (Mr. Atkinson) and for Gravesham (Mr. Arnold) raised valid concerns about the scope of the Olympics association right and its application to small businesses such as pizza parlours, butchers, garages and restaurants which call themselves "Olympic". My hon. Friend the Minister of State, Department of National Heritage, whom I congratulate on his promotion, undertook to consider whether the bid affords sufficient protection to businesses whose use of a controlled representation could not be said to exploit an Olympics association. The amendments were moved in the other place by the Under-Secretary of State, Department of National Heritage, my noble Friend Lord Astor.

The House can feel happy that the Bill gives adequate protection to users of a controlled representation. Clause 4(9), (11) and (12) protect the right to continue the

[Mr. Winterton]

existing use of the controlled representation for the purposes of an undertaking or as part of a business or company name. The proprietors of businesses referred to on Second Reading, such as "Olympic" restaurants, need have no concerns about the Bill.

Clause 4(6) provides that the Olympics association right is not infringed where one of the protected words is used in a way that does not create an association with the Olympic games or the Olympic movement or draw on qualities of speed, excellence, strength or other qualities that are associated with the Olympic games or the Olympic movement. Members of the Greek community who open small restaurants or florists may be able, on the facts of the case, to rely on clause 4(6) to defend an action for infringement by the proprietor of the Olympic association right by claiming that the use creates an association with their homeland and not with the Olympic movement.

The Secretary of State has power under clause 14 to give directions to the British Olympic Association with respect to the exercise of the Olympics association right. That is specifically intended to give a person who alleges that he was unfairly refused the right to use a controlled representation after the Bill comes into force, the right to approach the Secretary of State. However, there is scope for identifying those areas where it would be fair to allow someone to use a controlled representation so as to avoid the burden of persons having to apply to the BOA for its use or risk inadvertent infringement of the Olympic association right.

The Lords amended the Bill to allow the Secretary of State, by order made by statutory instrument, to provide that certain categories of uses of a controlled representation would not constitute an infringement of the Olympics association right.

If the Bill is enacted, the Secretary of State, with the assistance of the British Olympic Association, will seek to identify areas in which use of a controlled representation may properly be allowed without at all jeopardising the British Olympic Association's commercial interests. It is difficult to anticipate where the need may arise, but the provision is broad enough to allow the Secretary of State to permit uses of a controlled representation.

For example, he could permit the use for the purposes of new subsidiary companies of established companies; in the incorporation of a company under its former business name; for the purpose of a certain class of business, for example florists or small restaurants; and for specified trade uses for the purpose of an undertaking. For example, that would cover use in a campaign against the Olympic games, an issue that was mentioned by the hon. Member for Brent, East (Mr. Livingstone) on Second Reading.

The amendments will enable the Secretary of State to authorise fair and non-exploitative uses of controlled representations such as those cited by hon. Members on Second Reading. The amendments are entirely acceptable to me as the sponsor of the Bill. They improve the measure and I commend them to the House.

9.45 am

Sir Hector Monro (Dumfries): I declare an interest as I am a member of the British Olympic Association and I have been Minister for Sport three times in my career. This is an important day for sport and it is appropriate that such a Bill is being debated. The amendments will make an already good Bill an excellent one.

The important point to bring home is that the Bill will give sport an important future opportunity. Later today, we shall be able to consider the announcement by my hon. Friend the Minister with responsibility for sport about developments for England and Wales, while the Under-Secretary of State for Scotland, my hon. Friend the Member for Aberdeen, South (Mr. Robertson), will deal with developments in Scotland. Sport will be debated next week and that is important because we have few opportunities to debate it. The country will welcome that debate.

The amendments tidy up an important section of the Bill, which we all support. I have the highest regard for Mr. Craig Reedie, the chairman of the British Olympic Association. It will welcome the amendments because they clarify the Bill and remove any worries about the original drafting curtailing personal interests. The Bill, whose sponsor is my hon. Friend the Member for Macclesfield (Mr. Winterton), is supported by a large number of hon. Members in all parts of the House. I wish it well.

Mr. Peter Luff (Worcester): It is a privilege to follow my hon. Friend the Member for Dumfries (Sir H. Monro). I understand that that was his first Back-Bench speech since his resignation from the Government. He gave distinguished service in government, and it is a privilege to follow him.

It is important that the House always seeks to stand up for the rights of the weak against potential exploitation by the strong. I suppose that that is what is at the heart of my continuing nagging concerns about the Bill and the amendments, especially amendment No. 12, a new clause that seeks to address concerns that were expressed on Second Reading. The other amendments in the group are consequential on that amendment.

I suspect that most hon. Members who take part in the debate will pay tribute to my hon. Friend the Member for Macclesfield (Mr. Winterton) for introducing the Bill, and I join them in that. He has done a great service to the House and the Olympic movement and I hope that the Bill will make speedy progress to the statute book.

I regret that I shall have to speak at greater length than I had hoped, because I was unable to contact the British Olympic Association during the week to discuss my concerns with them in person. That was for the entirely understandable reason that most of its senior members were at the European youth olympics in Bath. I am delighted to see from today's edition of *The Daily Telegraph* that Britain's under-18 hockey team came from behind to beat Ireland 3-2 in the final yesterday. We urge our athletes on to great success in Bath.

I declare a kind of interest in the debate because I am an adviser to Visa International, which is a major sponsor of the Olympic games internationally. However, I make it clear that I have not discussed this matter with Visa and I do not know its views on the Bill or the amendments. My suspicion, however, is that, like any commercial sponsor of the Olympic games, sponsors would welcome both the Bill and any amendments that sought to clarify the way in which these powers can be used, because it is clearly important for sponsors to ensure that their

sponsorship is protected. It is not just a question of protecting the rights of the Olympic movement or of the British Olympic Association. It is also very much a matter of ensuring that we protect sponsors' rights, otherwise that sponsorship will not be forthcoming. We have heard from my hon. Friend and in speeches in another place of the importance of those funds for Britain's athletes.

I want to make it clear that, in raising my concerns today, I share the basic support for the Bill's general thrust. Any additional assistance that is forthcoming to Britain's athletes, wherever they take the international stage, but particularly when it comes to the Olympics, is welcome, but how we fund the British Olympic Association raises important questions, and we must ensure that our athletes' rights to have adequate funds for their performances overseas are balanced against the need to safeguard the interests of this country's commercial organisations. My concern is whether the new clause and the group of amendments go far enough to protect their interests.

It is interesting to note in *The Daily Telegraph* today that the Sports Council has announced additional funding—another £1.25 million—for Britain's athletes competing at the 1996 Olympic games in Atlanta, but I note that a spokesman for the Sports Council says that that money

"doesn't fully bridge the gap but I hope the lead that we've given might persuade some commercial organisations to do something."

Madam Deputy Speaker (Dame Janet Fookes): Order. The hon. Gentleman is trying my patience somewhat. What has that to do with the amendments under consideration?

Mr. Luff: I am trying to explain the importance of ensuring that the rights of this country's organisations are absolutely protected. Let me explain more. We could be gathered up in a great feeling of good will towards the Olympics and our athletes without considering carefully enough and in sufficient detail the direct impact of the Bill on the organisations that we need to ensure are protected, particularly small businesses.

I have heard many reassurances from my hon. Friend the Member for Macclesfield during his opening remarks. I want to raise some additional concerns and I should like to hear those same reassurances from my hon. Friend the Minister to ensure that those organisations are properly protected. I was simply seeking to set the picture about the Bill's importance and to reassure the House that I in no way wished to undermine the effectiveness of the Bill, whose importance I genuinely understand. I share the view that my hon. Friend the Member for Macclesfield expressed about that.

My concern about the amendments is born simply out of the concern to protect the Bill's impact on some specific commercial activities. In another place, we heard Lord Brabazon of Tara express his support for the Bill in almost evangelical terms. My concern is that, because we are so anxious not to undermine the Bill's effect, we do not give the amendments sufficient scrutiny and ensure that they have the right impact and that they are the right amendments. On reflection, I wish that I had tabled alternative amendments that would have met my concern.

Commerce has rights too, as my hon. Friend the Member for Hexham (Mr. Atkinson) said during his excellent Second Reading speech, which prompted, as I understand it, my hon. Friend the Minister of State and his right hon. Friend the Secretary of State to bring forward amendments to this Bill in another place. I understand that this group of amendments attempts to deal with those concerns, but I have a number of worries about it.

The powers that we are giving to the Secretary of State to act in respect of those concerns seem to be clumsy and discretionary. They rely on the use of statutory instruments. I worry that the Government will be prepared to bring forward a statutory instrument for consideration by this House only if commercial interests' concerns are extremely clear cut. Frankly, I am also concerned that there may be a certain reluctance in the Department of National Heritage to exercise those powers at all, so I am looking for a reassurance from my hon. Friend the Minister of State that there will be a genuine determination by his Department to use the powers that this new clause will give him.

We have to be careful when we give powers to bodies that are outside the control of this House and make certain that the House has adequate powers of redress if those powers are misused. Earlier this week, I spoke on the Charities (Amendment) Bill. We were doing a similar thing with the charity commissioners. My hon. Friend the Member for Macclesfield has been consistently concerned about the powers that we hand to the European Union when the House is not able properly to control those powers. He is right and it is understandable to have those concerns. My concern, however, is that we are debating this new clause only because the Bill is a trifle over-ambitious. Will he consider—I think that procedurally it is now impossible—my preferred route forward, which is slightly to reduce the Bill's ambitious nature?

I fully understand that the Olympic movement's symbols are effectively trademarked as the most powerful protection, but other organisations use them in a variety of formats. The Public Relations Consultants Association uses them in an extended format on the front page of its annual report. Can it look to the powers in the new clause to ensure that its historic use—I have the report here and I shall show it to my hon. Friend the Member for Macclesfield—will not be caught by the Bill's powers?

I understand the need to protect the motto of the Olympic Association but I suspect that this new clause will really come into effect when we debate the use of specific protected words in this Bill. This is where the real difficulty comes and where my concerns lie. I have no problem with the Bill protecting "Olympiad" and "Olympiads" because I understand that they are specific terms, used only in connection with the modern Olympic games. Similarly, I understand that the word "Olympics" relates entirely to the Olympics games. That is reasonable. For me, however, the problems come with other protected words, especially "Olympian", "Olympians" and "Olympic". We must be careful about constraining the use of words that have more general, historic and geographical connotations. I suspect that this is the way in which we will look to the Secretary of State to exercise his powers under the new clause if it is accepted by the House today.

I come from Worcestershire. I worry what would happen if we gave Lea and Perrins the power to control the use of the words "Worcestershire" and "Worcester" in relation to sauce, or if we gave Royal Worcester Porcelain the power to control the use of "Worcester". Although I have enormous admiration for those two companies.

[Mr. Luff]

I would speak against any attempt to do so. It is right that we should express our concern about the power that we are giving the British Olympic Association to control the use of those two words and that we assure and satisfy ourselves absolutely that, under this new clause, my right hon. Friend the Secretary of State will have adequate powers to deal with an over-mighty use of these words by the BOA.

I shall not weary the House with precise definitions of those two words, but it is worth remembering that all the dictionaries that I have considered give a wide variety of meanings, both for "Olympian" and "Olympic" which go well beyond the Olympic movement. The first definition of "Olympian" given in the dictionary is:

"Of or belonging to Olympus; heavenly, celestial."

Again, the first definition of "Olympic" is:

"Of or belonging to Olympus"—

the place. Those are matters of history and geography, not just games.

Mr. Michael Fabricant (Mid-Staffordshire): Surely my hon. Friend's points do not apply to any use of the words if they will not be confused with the aims of the British Olympic Association: to provide teams and compete in the Olympic games. He gives examples about Worcester sauce and Royal Worcester Porcelain and comments that he would defend the use of the word "Worcester". Surely he would argue that, if someone came along and produced a Worcestershire sauce in competition with Lea and Perrins, it would be wrong and in breach of the law, but if someone were to produce a Worcester soup or something similar, which has nothing to do with the original product, it would not be a breach? Similarly, the point is that these amendments from another place make it clear that his concerns would not apply because restaurants and others have nothing to fear. The amendments protect only the British Olympic Association from other organisations that might take funds away from it in relation to the Olympic games.

Mr. Luff: I hear what my hon. Friend has to say and I shall not be drawn into the debate about Worcester sauce, which has real problems about copyright around the world, but some remarks were made in another place during the debate about the effect of the new clause which give me a scintilla of doubt that his confidence is accurate.

I know that my hon. Friend the Member for Hexham got into a certain difficulty at Second Reading by giving examples of the use of those words by current businesses in a London telephone directory, one of those rare occasions when reading the telephone directory for the record was probably in order. I do not intend to do so today but I have considered those and I see that a number of companies have chosen to use those words because they believe it is useful in their business activity. My concern is that, although my hon. Friend the Member for Macclesfield discussed grandfather rights, where a company already uses the word, there may be a real desire by the BOA to prevent new companies that also think that there will be a benefit from using this word when establishing themselves. I seek that particular reassurance from my hon. Friend the Minister.

On Second Reading in the other place, Lord Astor—the then Minister—set out the Government's position clearly. Lord Brabazon, in reply, expressed severe reservations about accepting the amendment we are now debating. Indeed, he expressed disappointment that there should be any amendments at all to the Bill. I wonder what briefing led him to that view. Did the BOA express concern about the amendment and suggest that it might constrain its power to act to protect its sources of income?

10 am

I recognise that clause 4 provides a number of protections, as my hon. Friend the Member for Macclesfield (Mr. Winterton) rightly pointed out in his speech. However, what concerns me is that Lord Brabazon referred to the new protection offered by amendment No. 12—the new clause—as a power that he hoped would be used as an exception rather than a rule. The amendment seems to have been offered rather grudgingly by the Bill's sponsor, who hopes that it will not be used. I suggest that it is a power that needs to be used, possibly quite freely.

I am aware that my right hon. Friend the Member for Dumfries is a member of the BOA. My difficulty is that the BOA, rightly and properly, has as its primary objective the promotion of sport. Those who will exercise the powers in the Bill have a strong sporting bent; they are not commercial individuals whose job is to protect the commercial base of the country. One of them, I am pleased to note, is the former physical education teacher at my old school, Windsor grammar. However, in general, and having looked in detail at the curriculum vitaes of those who will exercise the Bill's powers, I have no confidence that their prime purpose will be to protect commerce; it will, of course, be to protect sport. That is why we need the additional powers given to the Secretary of State in the new clause. I accept that the individuals concerned at the BOA are trustworthy people, but they are not very commercial. Their first priority is bound to be sport.

I am doubtful whether we even need the Bill at all, given that the BOA says in its documentation that its primary tool for raising funds for athletes is not the words and symbols that will be protected by the Bill, but its own marketing symbol that unites the Olympic symbols with the union jack in a roundel. It describes its need to protect that symbol as its principal way of raising commercial revenues. The BOA does not directly exploit Olympic symbols, words and phrases, just its own adaptation of them. That is why it is so necessary that the new clause should give the Secretary of State adequate powers to protect commercial interests from the BOA's unreasonable use of its power.

There is another point about who should exercise the powers in the new clause. As I understand it, it will be the Secretary of State for National Heritage. I understand that because the Bill is about sports men and women. However, as the new clause is designed not to protect sports men and women, but to protect commercial interests, it might be better to give the power to a different Secretary of State than one whose prime motive, honourably exercised, is to protect sports men and women. It might be more appropriate to give the power to the President of the Board of Trade or even the Deputy Prime Minister, given that he now has responsibility for competitiveness and deregulation. Their motives in exercising the power would be rather different from that of the Secretary of State for National Heritage. They will be concerned to protect the individuals whom I understand the new clause exists to protect.

I am looking for a number of specific reassurances. Given that the powers will be exercised by the Secretary of State for National Heritage, can my hon. Friend the Minister assure me that they will be exercised in a pro-enterprise way and that the Department will not uncritically accept the views of the BOA? Will the Secretary of State consult her colleagues in Government before exercising the powers to ensure that the BOA is right in resisting any particular application for the introduction of a statutory instrument under the new clause?

I think that my hon. Friend the Member for Macclesfield has already assured us that grandfather rights will be properly protected. Companies operating in or around my constituency already use words or phrases that are protected by the Bill. They may want to expand and set up new subsidiaries. I think that my hon. Friend gave me the assurance that they will be free to do so. However, I want my hon. Friend the Minister to give that same reassurance from the Dispatch Box, so that it has the necessary statutory force.

I also want an assurance that there is no way in which the BOA could use the powers in the Bill to do anything other than protect the literal words. The word "Olympia" is not protected by the Bill. The word "Olympic" is often used to describe size. For example, a local authority may describe its swimming pool as "Olympic-sized". I do not think that the BOA should expect a royalty payment from a local authority every time it described its own swimming pool in that way. Is that an example of the sort of matter that could be covered by a statutory instrument laid under the new clause?

I am left with the uncomfortable feeling that the Bill is cumbersome and complex when it should be quite simple. That sort of thing always sets off alarm bells in my mind. I wonder whether it could not have been more simple. I hope that the powers in the new clause are adequate to deal with the concerns that have been expressed both here and in the other place. I look forward to hearing my hon. Friend the Minister's response.

Mr. Fabricant: While my hon. Friend the Member for Worcester (Mr. Luff) was speaking, I took the opportunity to pop out and look at a copy of *Yellow Pages*. However, I resisted the temptation to bring it into the Chamber, as happened on Second Reading—although at that time it was entirely appropriate to do so. I wanted to see whether there were any companies using the words "Olympiad", "Olympiads", "Olympian", "Olympians", "Olympic", "Olympics", and so on as listed in the Bill, that might conflict with the amendments. There were none. All businesses using such word were concerned with photocopying, restaurants, florists and other such activities.

Indeed, that fact was mentioned by my hon. Friend the Member for Macclesfield (Mr. Winterton), whom I congratulate on taking the Bill through its various stages. It is clear that there need be no scintilla of doubt, as expressed in the other place, about the Bill's intentions. I do not envisage the possibility that companies such as those listed in *Yellow Pages* using the name "Olympic"—even if they are new companies using that name, as existing companies are already protected—would be affected by the Bill.

The whole point of the Bill is to protect the British Olympic Association. This debate is especially interesting for me because I serve on the National Heritage Select Committee and one of the areas we are currently investigating is Olympic bids in the United Kingdom and elsewhere. Hon. Members may be interested to know that the Select Committee recently went to Barcelona to examine how the Spanish attracted the Olympic games to their country in 1992. What soon became apparent was the importance of the Olympic symbols for use by their local Olympic committee to raise money for local athletes. After all, is not that what the Bill is all about? Surely it is intended to ensure that there will be adequate funding for the British Olympic Association to send teams to Atlanta. The Select Committee will be going to Atlanta this summer to investigate how it attracted the Olympic games.

Indeed, we need to question whether it is even worth trying to attract the games to the United Kingdom. Given that Manchester spent a great deal of money on its Olympic bid but received only seven votes, we must question whether it is worth competing and whether it is worth the games coming to the United Kingdom.

Mr. Nick Hawkins (Blackpool, South): As the chairman of our party's sports committee, and as today I have the honour to wear the Olympic bid tie for the Manchester bid, I have to tell my hon. Friend that although I agree with a number of his points about the amendments, the Manchester bid was enormously important in terms of increasing confidence in Britain as a whole and in the north-west in particular. The city of Manchester has benefited enormously from its Olympic bid.

Mr. Fabricant: My hon. Friend the Member for Blackpool, South (Mr. Hawkins) makes an interesting point. I would not wish to prejudge the findings of the National Heritage Select Committee. Before you rightly tell me off, Madam Deputy Speaker—I am rather drifting away from the amendments—I invite my hon. Friend, who has played an active and important role on the Back Benches as chairman of the Conservative sports committee, to attend the National Heritage Select Committee meeting when we interview the gentlemen from Manchester. They will include, I believe, Sir Robin Scott—

Mr. Gyles Brandreth (City of Chester): Sir Robert Scott.

Mr. Fabricant: Yes, Sir Robert Scott, who led the Manchester bid. Robin Scott is a previous controller of BBC Radio 1.

I have no reservations about the amendments. They strengthen the Bill. I accept to some small degree the point made by my hon. Friend the Member for Worcester (Mr. Luff) that the use of statutory instruments may be a clumsy way of making amendments. In practice, I cannot see why statutory instruments would be needed because, as has been plainly pointed out already, there are so many industries that use the terms and symbols involved which cannot be confused with the aims of British Olympic Association and therefore would not be diverting money away from it.

I want this country to succeed at the Olympic games. We invented so many sports which are not in the Olympic games such as cricket, football—I am not sure whether football is in the games, but I think not—and tennis. We invent sports but do not seem to succeed in them. That is why I was so delighted with this morning's news and

[Mr. Fabricant]

delighted to see my hon. Friend the Minister on television this morning talking about the Prime Minister's £100 million to promote sport in the United Kingdom. If East Germany could win so many gold medals with a population of only 18 million, how come a nation of 58 million active and fit people, as we are, is so unable to win Olympic medals in such profusion?

I support anything that can be done to promote the BOA and sport. I believe that the Lords amendments will strengthen not weaken the Bill.

Mr. Peter Atkinson: I join in giving a cautious welcome to the amendments although I share many of the reservations that my hon. Friend the Member for Worcester (Mr. Luff) outlined.

When we last debated the issue, one or two Opposition Members who are not in their seats today accused me of filibustering to delay progress in debating a subsequent Bill. That allegation was set in stone by the BBC on television news that night and prompted some 600 letters to me, mostly abusive and some containing more than letters. However, that is part of the life of a politician.

It may not have been a spectacular Bill or one that caught the headlines like the Bill discussion of which was to have followed, but it was nevertheless very important both for the British Olympic Association and for the many small businesses who use the name or similar names and who were—and still are to a degree—concerned that their businesses could be affected by the legislation. It was that concern, which was referred to by my noble Friend Viscount Astor in another place, that prompted the Government to introduce the amendments, which, I believe, go some of the way towards meeting those concerns.

It is quite wrong that Bills are simply nodded through the House. It is wrong that we should rubber stamp Bills and leave it to their Lordships to sort them out later. That is wrong and an abuse of the House. When Bills come before the House, we have the right to debate them even if they are less interesting and headline-worthy that those that appear subsequently on the Order Paper. It is the luck of the draw on a Friday.

I seek the assurances that my hon. Friend the Member for Worcester asked for because I share some of his concern that we have a rather awkward system in which the Secretary of State, in negotiations with the British Olympic Association, will determine whether the use of the word is in breach of what is being proposed. With that guarded welcome, I congratulate my hon. Friend the Member for Macclesfield (Mr. Winterton) on the Bill. I am sure that now that the wrinkles have been ironed out it will be very valuable asset to the Olympics and our Olympic teams.

10.15 am

Mr. Tom Pendry (Stalybridge and Hyde): I intervene briefly to say that I think this is a very important day for the British Olympic Association. I am not referring to this glossy document, "Sport: Raising the Game", which we will no doubt be able to debate on Wednesday, as the Minister said. We shall see whether it is important for the Olympic movement then.

This Bill is the end of a very long road. Over the years, many of us have made representations to bring such legislation before the House. Indeed, in November last year, the Prime Minister wrote to me to say that he would introduce legislation as soon as parliamentary time allowed. We all know what that means. It is therefore very good that the hon. Member for Macclesfield (Mr. Winterton) took the initiative to bring the Bill before us and I think that it is going to be a very important piece of legislation.

Mr. Nicholas Winterton: May I publicly thank hon. Members on both sides of the House for the support that they have given to the Bill? I pay particular tribute to the hon. Member for Stalybridge and Hyde (Mr. Pendry) for his interest and the initiatives that he has sought to take in the past. This has been an all-party Bill. I am its sponsor but I pay tribute to the support that I have had from all political parties for the purpose and objectives of the Bill.

Mr. Pendry: I thank the hon. Gentleman for that.

The Lords amendments to the Bill clearly provide means by which any possible problems which might arise in the future can be dealt with. The new clause created by amendment No. 12 provides the means by which the Secretary of State could deal with problems by order without the need to return to the House and that should help with unforeseen problems, such as the case of the Olympians.

I am glad that assurances have been forthcoming to the effect that the Olympians in particular will be able to continue using the Olympic symbol. It is a group with altogether altruistic aims representing our community of past Olympic athletes and embodying all that is good about the Olympic spirit and the Olympic family. Under the leadership of Liz Ferris, it continues to encourage fair play in sport and is a valuable source of information and advice and it assists the BOA.

I wish to place that on record, because I am grateful that the Minister has given that guarantee within the context of the Bill. I hope that the amendments are carried, because they certainly make the Bill an even better Bill than it was when it first began its passage in the House. As I said at the start, this is a very good day for the BOA.

Rev. Martin Smyth (Belfast, South): I welcome the Bill and support my hon. Friend the Member for Macclesfield (Mr. Winterton). I congratulate him not only on sponsoring the Bill, but on including Northern Ireland in it. It affects us, too, and I share his tribute to the hon. Member for Stalybridge and Hyde (Mr. Pendry), because I know the role that he played when he was at the Northern Ireland Office, and his subsequent role in the realm of sport.

I long to see the day when our middle-distance runners will again top the field rather than lagging behind. I hope that next week's debate on sport will offer some light not only for Scotland and Wales but for Northern Ireland in the context of raising standards.

The hon. Member for Worcester (Mr. Luff) referred to Lord Brabazon speaking in an evangelical manner. I am not sure whether the hon. Gentleman meant evangelical or evangelistic. It was the hon. Member for Worcester who spoke with evangelistic fervour. While he spoke with a quiet voice, he reminded me of the evangelistic preacher who started shouting because his notes said, "Argument

weak, shout like hell." The arguments against the Bill were rather weak, and I look forward to it going through with the full support of the House.

Mr. Brandreth: I welcome the amendments but must do so in a subdued mood because of the sad and unexpected news of the death yesterday of my predecessor as the Member of Parliament for City of Chester. Sir Peter Morrison was Chester's champion for 20 years. There are three Cheshire Members of Parliament here today, and I know that they will join me in paying tribute to Sir Peter and in sending condolences to his family.

This is an important day for sport in the United Kingdom. The Bill is a small but important measure. I take this opportunity to salute my hon. Friend the Minister of State, because of all that he is doing to reawaken sport not only at the heart of school life but throughout our culture. We are going to breed Olympic champions in the United Kingdom, and I honestly believe that future generations will look back on the summer of 1995 and think of my hon. Friend the Minister and of the Prime Minister, who together are leading us into a new era of British sport.

The Bill is full of good sense. I think that the fears expressed by my hon. Friend the Member for Worcester (Mr. Luff) are unfounded. He will find that, when the Bill becomes an Act, common sense will prevail and that the new clause—or amendment No. 12—will be a useful moderating mechanism.

I am delighted to welcome the amendments and the Bill and excited to think that the Bill will be in place when the Olympic games come to Manchester, as they must, and when all the gold medals are won by true Britons, thanks to the leadership shown by our outstanding Prime Minister and the Minister of State.

The Minister of State, Department of National Heritage (Mr. Iain Sproat): I shall first make one or two general remarks about this group of amendments and then deal with some specific points on which hon. Members asked for reassurance and with those made so lucidly and forcefully by my hon. Friend the Member for Macclesfield (Mr. Winterton).

My hon. Friend the Member for Macclesfield spoke clearly about the protection that the Bill gives to legitimate businesses users of a controlled representation. No one should be in any doubt—the Bill is not an anti-business measure. I shall deal in a moment with the related points that my hon. Friend the Member for Worcester (Mr. Luff) quite properly raised, but I give that general assurance at the outset.

The Bill protects genuine property interests in the controlled representation and gives the British Olympic Association statutory protection for what are, in effect, its trademarks, alongside any common law remedies that it may have. Those who need fear the Bill are those who seek to trade on the reputation of the Olympic games by making money for themselves and depriving the BOA of its life-giving revenue.

It may be helpful if I draw the House's attention briefly to further protection for users of a protective word. Protected words are "Olympiad", " Olympiads", "Olympian", "Olympians", "Olympic" and "Olympics" and their translations. Unlike the exceptions in clause 4(10) to 4(14), they do not depend on existing use at the time the Bill comes into force.

Although I do not agree, hon. Members seem to think that what is said at the Dispatch Box has more force that what is said elsewhere. I am therefore happy to say that clause 4(7) provides that, in the case of the representation of a protected word, the Olympics association right is not infringed by use which creates an association between the Olympic games or the Olympic movement and any person or thing where the association fairly represents a connection between the two, provided that the use is in accordance with honest practices in industrial or commercial matters. Examples of use that might be justified under this clause are an Olympic champion who endorses sports equipment as an "Olympic champion" and a hotelier who advertises accommodation within five minutes' walk of an Olympic games venue. It will also cover incidental reporting of anything to do with the Olympics in day-to-day trade. After all, the Olympics are public events and it is not possible to prevent businesses from making references to them.

Such use, however, would need to be a fair representation of an existing connection. The clause does not, for example, permit a manufacturer to claim that his products have been endorsed by the BOA or the Olympic movement at large if they have not. Likewise, a supplier of widgets could not claim on the basis of a simple supply agreement with the BOA that he is "the" supplier of widgets to the BOA.

Furthermore, the clause 4(7) defence should be available only when the use is in accordance with honest practices in industrial or commercial matters. Among other things, that restricts what is known in the marketing business as "ambush marketing". An example of that would be if the BOA officially endorsed a sportswear manufacturer's products and a rival manufacturer ran an advertising campaign using former Olympic champions in order deliberately to counter the benefits of official endorsement. That is not an honest commercial practice, and anyone who undertakes such an advertising strategy will receive no help from this clause.

My hon. Friends the Members for Worcester and for Hexham (Mr. Atkinson) are entirely right to say that, even where there is a genuine consensus in the House—as there certainly is in this case—it is not only right but essential that a certain healthy scepticism should be brought to bear on any legislation. I am sure that every hon. Member can think of a number of Bills that were not subject to healthy scepticism or explored sufficiently in the House, and regret that such legislation was too hastily passed. Although I hope that I can provide proper and adequate reassurances for my hon. Friend the Member for Worcester, it is extremely important that such matters should be explored.

My hon. Friend spoke of the importance of the funds for sportsmen that will arise from the Bill; that is at the heart of the Bill. I was glad to hear the reference to the Sports Council's further grant of £1.25 million to the Sports Aid Foundation precisely to help our Olympic athletes in their preparation. That is exactly the sort of provision that is either supplementary to, or supplemented by, the provisions in the Bill.

A number of hon. Members, including my right hon. Friend the Member for Dumfries (Sir H. Monro), mentioned the sports policy paper which the hon. Member for Stalybridge and Hyde (Mr. Pendry) waved before us. Incidentally, I thank the hon. Gentleman for that free publicity. One of the main purposes of the policy paper is

[Mr. Iain Sproat]

to do on a larger scale what the Bill seeks to do on a lesser scale, which is to inject more funds into British sports. It is therefore particularly appropriate that we are considering the Bill on the very day that the Government have announced their wider provisions to inject more money into sport at school level and at the championship and elite level.

My hon. Friend the Member for Worcester sought an assurance that legitimate businesses would not be damaged by the Bill. I can give him that assurance. We shall certainly use the powers that we have under the new clause 12. Appeals can be made to my right hon. Friend the Secretary of State if a business feels that it is being damaged because it believes that the BOA is unfairly and improperly using the powers that the Bill gives it. In that case, the business can appeal to my right hon. Friend who will make a decision.

My hon. Friend was also worried that there might be instances in which my right hon. Friend the Secretary of State for National Heritage could be thought to be more in favour of the sporting than the enterprise aspect of a case and that, if so, that matter should perhaps be put to another Secretary of State, perhaps the President of the Board of Trade or my right hon. Friend the First Secretary of State. Of course, that can be done because, as the House knows, the term "Secretary of State" in a Bill can refer to any Secretary of State. Although, in this context, it would normally be the Secretary of State for National Heritage, it would be easy for the matter to be taken to another Secretary of State, and the Government will decide what is appropriate. That should ally my hon. Friend's fears.

My hon. Friend also asked whether pro-enterprise considerations would be taken fully into account. The answer is yes. The reference to the Secretary of State means any Secretary of State, so it could be the President of the Board of Trade. He asked whether grandfather rights were covered, and the answer is yes. I give my hon. Friend those specific yes, yes, yes assurances.

10.30 am

My hon. Friend the Member for Mid-Staffordshire (Mr. Fabricant) told us—I did not know—that the much-travelled Select Committee on National Heritage proposes to go to Atlanta. I say, not as a joke, that that will be extremely valuable to the Olympic movement, to the British Olympic Association, to the House and to the new United Kingdom Sports Council when it is established on 1 January next year. One of its specific remits is to attract to Britain top international sporting events, of which the Olympic games is possibly the biggest in the world. Therefore, to see exactly how Atlanta did it and what are the costs to that city will be extremely useful. As the youth games at Sheffield produced a pretty big debt burden on the backs of the city fathers for many years to come, it is important that we examine closely all Olympic-related matters. I shall value not only my hon. Friend's personal view when he returns from Atlanta, but the considered views of the Select Committee in summary.

My hon. Friend the Member for Mid-Staffordshire said that he was in favour of anything that could be done to support sport. He will know that today we are producing a sports policy paper which announces massive injections of money into sport from a number of different sources and the House will have a chance to consider it at greater length next week.

My hon. Friend the Member for Hexham made a valuable contribution to the Second Reading debate. He was treated extremely unfairly and I very much hope that the BBC will remedy the way in which it treats hon. Members. No doubt unwittingly, it grossly misrepresented the point that my hon. Friend made, as is proven by the fact that we are debating it today. By raising the matter, he caused my Department to decide that something must be done to clarify it, and that is why, for one valuable hour this morning, we discussed that important principle. I pay tribute to the healthy scepticism of my hon. Friend.

The hon. Member for Stalybridge and Hyde has had much to do with these matters in the past. I certainly echo the thanks expressed to the hon. Gentleman by my hon. Friend the Member for Macclesfield. Although I am absolutely certain that, when our marvellous sports policy paper will be discussed at great length next week, the Labour party will find one or two tiny points with which it does not wholly agree, nonetheless I am grateful to the hon. Gentleman for his genuine support. He is right to exhibit that healthy scepticism that I call upon the House to exhibit towards others—even towards me. I look forward to next week's debate and I genuinely thank the hon. Gentleman for his supportive attitude.

My hon. Friend the Member for Belfast, South (Rev. Martin Smyth) welcomed the fact that the Bill will apply to Northern Ireland. I agree with him. He will know from my actions that I believe strongly in that principle. When I constructed the United Kingdom Sports Council, partly out of the old Sports Council, for the first time I specifically included a representative from Northern Ireland, as it is extremely important that Northern Ireland is seen to be part of the United Kingdom is every possible way. That includes sport, and that is why it is in the new United Kingdom Sports Council.

My hon. Friend the Member for City of Chester (Mr. Brandreth) gave the House some very sad news that I certainly did not know. Judging by the response of other hon. Members, most did not know about the sad death of Sir Peter Morrison, who had been a friend to many of us for many years. I should very much like to join all hon. Members in the condolences that my hon. Friend will pass on to Sir Peter's family.

I welcome Lords amendments Nos. 1, 2, 12, 14 and 15 as general deregulatory measures which will lift from identified classes of business that do not qualify for exception under clause 4 the burden of applying to the BOA for consent to user control representation. I congratulate my hon. Friend the Member for Macclesfield on the way that he has made his case this morning and on his persistent dedication and good humour in the face of some dilatory frustrations. I welcome the amendments and commend them to the House.

Lords amendment agreed to.

Lords amendment No. 2 agreed to.

Clause 4

LIMITS ON EFFECT

Lords amendment: No.3, in page 2, line 40, leave out ("is") and insert ("consists of use").

Mr. Nicholas Winterton: I beg to move, That this House doth agree with the Lords in the said amendment.

Madam Deputy Speaker: With this it will be convenient to take Lords amendments Nos. 4 to 11 and 13.

Mr. Winterton: The House is aware from the comments already made that the Olympics association right is a wide right which confers exclusive rights in relation to the use of the Olympic symbol, motto and protected words, similar to the right of the proprietor of a registered trade mark. The Bill is assiduous in its protection of existing and deserving rights. I have already set out some of those circumstances.

Lords amendments Nos. 3 to 11 and 13 relate to the exceptions to the Olympics association right in clause 4, subsections (1) to (4) that concern the inclusion of control representation in literary, dramatic and musical works, artistic works, sound recording, film broadcasts and cable programmes.

The Olympic games are public events, as my hon. Friend the Minister and others have stated this morning, and it would be quite unfair and totally impractical for the Bill to prevent broadcasters, journalists, photographers, artists and film makers from making reference to the Olympic games without the consent of the proprietor. That would be unacceptable censorship. Clause 4, subsections (1) and (2), as amended in the Lords, provide that the use of a controlled representation in literary works and so on will not infringe the Olympics association right, provided that the work is not used in relation to goods or services and is in accordance with honest commercial practice.

However, the Bill seeks to prevent the exploitation of a permitted artistic work to get around the Olympics association right. It is not intended, for example, that a person could use a television commercial—itself a permitted broadcast—to advertise a product by reference to the Olympic games. It is not intended that a person could use an artistic work as a design for goods such as T-shirts, sports bags and equipment simply to sell that equipment.

Concerns were raised in another place as to whether the restrictions on the use of a work as previously drafted—that is, that an artistic work cannot be used for advertising or promotional activities—covered the full range of practices by which a person who was determined to use a controlled representation might exploit an otherwise bona fide artistic work.

The amendments introduced in another place make it clear that use of a controlled representation in, or comprising, a work will not be permitted if its purpose or use relates to other goods and services—for example, in a television advertisement for sports shoes—or if a perfectly lawful work is subsequently used to advertise other goods and services. Any of the actions illustrated in clause 3(2) as examples of what may be used in the course of trade may also constitute use in relation to goods and services. Thus, if a trader fixes a design to a T-shirt which is exploited commercially, he will be in breach of the Olympics association right.

Amendment No. 11 makes that quite clear. It is the same as the test for determining whether the use of a registered trade mark is an infringement under the Trade Marks Act 1994. There is nothing contentious or novel about the amendment; it merely clarifies what was intended, and closes loopholes that would be available to an unscrupulous dealer.

Mr. Luff: I am keen for the point raised by the hon. Member for Brent, East (Mr. Livingstone) about use of the slogan in political campaigning to be properly dealt with. On 3 February, my hon. Friend the Minister suggested that that might fall foul of the Bill. Do the amendments deal with the problem?

Mr. Winterton: They do indeed. I shall come to that in a moment.

Of course, a controlled representation should be capable of being used in relation to literary or artistic works that are themselves genuinely about the Olympic games or the Olympic movement, rather than being merely a commercial exploitation. Provision for that is made in clause 4(4), which would allow, for example, trailers for television coverage of the Olympic games or merchandise promoting films about them.

Lords amendments Nos. 3 to 11 and 13 make much clearer what is and is not allowed with regard to use of a controlled representation in a literary or artistic work, but they make the example raised on Second Reading by the hon. Member for Brent, East (Mr. Livingstone)—the use of a satirical cartoon featuring the games in a T-shirt design as a campaign against the games—an infringement. The cartoon itself would not constitute such an infringement, but its use on the T-shirt would.

The Secretary of State, by directions or regulations or in some other manner, would make it clear that the BOA would have no remedy in such circumstances. Lords amendment No. 10, however, puts the matter beyond doubt by providing that use of a controlled representation in a work that is, to an extent, about the Olympic games or the Olympic movement should be allowed when the use of that work is not for the purpose of gain for any person, or loss for another. I hope that that reassures my hon. Friend the Member for Worcester (Mr. Luff).

I am sure that the House will agree that clause 4(1) and (2) make the position relating to films, broadcasting and so forth entirely clear, and that they have closed a loophole that might have been available to unscrupulous dealers.

Until now, the United Kingdom has been glaringly alone among the great sporting powers of the world in not having legislation to protect commercial property rights relating to the Olympic symbol. The House can be content that the Olympics association right will be secure in the able hands of the BOA. I am grateful to the BOA for the help that it has given me with the Bill—and to my hon. Friend the Minister and his Department, and other Departments that have helped me to draft the legislation.

The Bill will assist the BOA's attempts to build on the nation's success in the Olympic games. It will also safeguard the revenue that, in the modern age, is so important to ensuring success. I warmly welcome this morning's press announcement, and what has been said in the House, about the Government's initiative: my hon. Friend the Minister and the Prime Minister have announced the production of a fairly dramatic document about the future of sport, and the need for coaching and training so that the country can go from strength to strength.

[Mr. Winterton]

As I have said, revenue is important to the ensuring of success—success not only for such people as Linford Christie, Colin Jackson, Sally Gunnell and Jonathan Edwards, but for the hundreds, perhaps thousands, of other competitors who sacrifice their normal life and, perhaps, their careers for the pride of competing in international sport on behalf of our nation. It is to them that we owe the dignity of statutory protection that my Bill affords to the Olympic symbols.

I am pleased to be able to say that sponsorship raised with the benefit of the Bill will be available for British athletes to compete in the Atlanta Olympic games in 1996, at which I am sure that British sport will take its customary place at the high table of sporting achievement.

I commend the amendments and the Bill to the House.

10.45 am

Mr. Fabricant: I seek clarification on two matters. First, however, let me express the hope that Mr. Spencer Duval will be taking part in the Atlanta games in 1996. He is a constituent of mine, living in Lichfield; he is also the son of Mr. Derrick Duval, the immediate past chairman of my Conservative association.

I am concerned about two aspects of the visual representation of the Olympic games. My hon. Friend the Member for Macclesfield (Mr. Winterton) will know that the Select Committee on National Heritage recently examined the film industry. I, certainly, was delighted with the response of the Department of National Heritage, which is to take innovative action in regard to the film industry. I hope that my right hon. and learned Friend the Chancellor of the Exchequer will do the same in his Budget.

One of our best film producers is David Puttnam, who, as hon. Members will know, produced "Chariots of Fire", a very successful film. Would the production of a film of that kind, depicting the Olympic games in the past, present or future—fictional or historical—be inhibited by any of the proposals of my hon. Friend the Member for Macclesfield?

My visit to Barcelona made me very aware that television rights are tremendously important to the funding of the Olympic games. Their sale is the largest single source of income for the provision of the games in a city. Will my hon. Friend assure me that other broadcasters would be prevented from breaking those rights, thus reducing the amount of income available to a city promoting or holding the games?

Mr. Winterton: My hon. Friend the Member for Mid-Staffordshire (Mr. Fabricant) has posed some sensitive and difficult questions. I hope that what I have already said makes it clear that we considered them when drafting the details of the Bill. I understand that the legislation covers both his points. I do not believe that there would be any impediment to the production of the kind of film with which David Puttnam—a very distinguished producer—was involved; however, safeguards are built into the legislation.

I believe that the Bill takes care of my hon. Friend's second point as well—but my hon. Friend the Minister may well wish to say a final word.

Mr. Sproat: I rise, somewhat unexpectedly, to respond to the two interesting questions posed by my hon. Friend the Member for Mid-Staffordshire (Mr. Fabricant). The answers are simple. "Chariots of Fire" could certainly have been made under the provisions of the Bill; as for television rights, they would not be a matter for the BOA, but would be negotiated by the central Olympic body.

Lords amendment agreed to.

Lords amendments Nos. 3 to 15 agreed to.

Insurance Companies (Reserves) Bill

Lords amendments considered.

After Clause 2

CONSEQUENTIAL AMENDMENTS

Lords amendment: No. 1, insert the following new clause—

CONSEQUENTIAL AMENDMENTS

(" .—(1) Schedule 9A to the Companies Act 1985 and Schedule 9A to the Companies (Northern Ireland) Order 1986 (form and content of accounts of insurance companies and groups) shall be amended as follows.

(2) In Note (24) on the balance sheet format set out in Section B—

(a) after "(Liabilities item C.5)" there shall be inserted—

"This item shall comprise the amount of any reserve maintained by the company under section 34A of the Insurance Companies Act 1982."; and

(b) after "This item shall" there shall be inserted "also".

(3) For paragraph 50 there shall be substituted—

"Equalisation reserves

50. The amount of any reserve maintained—

(a) under section 34A of the Insurance Companies Act 1982 ("the 1982 Act"), or

(b) under regulation 76 of, and Schedule 14 to, the Insurance Companies Regulations 1994 ("the 1994 Regulations"),

shall be determined in accordance with regulations under section 34A of the 1982 Act or, as the case may be, in accordance with regulation 76 of, and Schedule 14 to, the 1994 Regulations."")

10.49 am

Mr. Nick Hawkins (Blackpool, South): I beg to move, That this House doth agree with the Lords in the said amendment.

Madam Deputy Speaker (Dame Janet Fookes): With this, it will be convenient to discuss also Lords amendment No. 2.

Mr. Hawkins: The amendment is necessary to ensure that the Companies Act 1985 and the Companies (Northern Ireland) Order 1986 comply with our obligations under European law. The amendment also ensures that those preparing insurance companies' accounts will know exactly how to report equalisation reserves that have been set up as a result of regulations made under the Bill, and also ensures that users of the accounts will have clear guidance on what to expect.

I should like to take the opportunity to thank the Earl of Northesk, who tabled the amendments in another place, for his prescience and his skilful handling of the Bill during its passage through another place. I also pay tribute to my hon. Friend the Member for Hertfordshire, North (Mr. Heald), the promoter of the Bill. I am delighted to see my hon. Friend in his place in the Chamber, as it gives me an opportunity to congratulate him on his extremely well deserved promotion to the Government. My hon. Friend has worked extremely hard on the Bill, and it is a privilege for me—as vice-chairman of the all-party insurance and financial services group and somebody who worked for many years as a corporate lawyer in the insurance and financial services industry before coming to the House—to come in very much at the end of the Bill's passage.

I would also like to pay tribute to the work done on the Bill by my hon. Friend the Member for Ryedale (Mr. Greenway), the chairman of the all-party group on insurance and financial services. Sadly, my hon. Friend cannot be with us today, but he spoke in earlier debates on the Bill and his work as chairman of that group is recognised on both sides of the House. I would also like to thank the hon. Member for Edinburgh, Central (Mr. Darling), who speaks on these matters for the Opposition, for his assistance in the earlier stages of the Bill.

The Bill deals with a matter with which I was concerned for many years before coming to the House. It may be of interest to say that the amendments are welcomed both by the Association of British Insurers and by the London Insurance and Reinsurance Market Association. The chief executive of the latter is Miss Marie-Louise Rossi, the daughter of the former and distinguished Member for Hornsey and Wood Green. Marie-Louise Rossi and I collaborated with others some years ago on a paper that called for precisely the kind of measures dealt with by the amendments.

Before I go on to explain the details of the two amendments, I should like to give the House the benefit of setting the matter in a slightly fuller context by way of an explanation of some of the developments in company law that led to the insurance accounts directive and the Companies Act (Insurance Companies Accounts) Regulations 1993.

Over the years, there have been a number of European directives to harmonise the accounts of companies. The first was the fourth company law directive 1978, implemented here by the Companies Act 1981, which harmonised the form and content of the individual accounts of companies. The seventh directive of 1983 harmonised the form and content of the consolidated accounts of groups and companies, and was implemented in this country by the Companies Act 1989. The fourth directive permitted member states to derogate from its provisions in the case of banks and insurance companies, pending the adoption of further directives.

The United Kingdom, like other member states, took advantage of the derogation and did not apply the provisions of the fourth directive to banks or to insurance companies. The existing legislation was largely left in place, leaving insurance companies with certain disclosure exemptions—for example, those enabling them to maintain hidden reserves. The bank accounts directive, which introduced a special accounting regime for banks, was passed in 1986, and implemented in regulations in 1991. The regulations introduced a new schedule 9 into the Companies Act, setting out requirements for the form and content of the accounts of banks and banking groups.

The European Community's insurance accounts directive follows the partner bank accounts directive in applying a number of provisions in the fourth and seventh directives to the accounts of insurance undertakings, while containing a number of provisions specific to insurance companies. The Companies Act (Insurance Companies Accounts) Regulations 1993, in implementing the insurance accounts directive into the United Kingdom, will bring the level of disclosure of insurance companies accounts into line with others in Europe, and with those of ordinary companies.

[Mr. Hawkins]

It is important to recognise that there are considerable differences in detail which arise because of the particular nature insurance business. The Companies Act (Insurance Companies Accounts) Regulations 1993 amended the Companies Act 1985 by inserting a new schedule 9(a) to im ement the EC directive on the accounts of insurance undertakings which was adopted in December 1991. The equivalent schedule for Northern Ireland was inserted by the Companies (1986 Order) (Insurance Companies Accounts) Regulations (Northern Ireland) 1994.

The regulations are primarily concerned with the presentation and content of the annual reports and accounts of insurance companies to their shareholders or members. They also deal with the consolidation of the accounts of insurance groups and the distinct regulatory returns which such a company makes to the Department of Trade and Industry in compliance with its obligations under the Insurance Companies Act 1982. The 1993 regulations require considerable disclosure of information, and the standard formats for the balance sheet and profit and loss account are prescribed.

Detailed rules concerning accounting treatments, the valuation of certain types of asset and liability and the specification of the matters are to be disclosed in the notes to the accounts. The provisions of the 1993 regulations are mandatory for the accounts of insurance companies and groups for the financial years commencing on or after 23 December 1994. Insurance companies, in their accounts for this year until 31 December 1995, will thus be required to follow the regulations and to restate their 1994 results as comparatives.

The insurance accounts directive contains a number of member state options. In drafting the 1993 regulations, the Government's approach was to seek to permit as much reasonable flexibility as possible within a general framework provided by the directive. That was very much welcomed by the insurance industry, as, in trying to anticipate the future, the 1993 regulations might not give the required guidance in respect of all types of equalisation reserve.

During consideration of the Insurance Companies (Reserves) Bill, it became apparent that the regulations would have to be amended to accommodate reserves that might be created under the new section 34(a) of the Insurance Companies Act 1982, as the 1993 regulations only covered the treatment of the reporting of credit equalisation reserves. Since that was the only form of statutory equalisation reserve contemplated at that time, it was thought to be sufficient. However, the consequential amendments to be made by the Lords amendments needed to ensure that schedule 9(a) continues to implement the directive's requirement concerning the treatment of equalisation reserves in the accounts.

Under article 31 of the directive, an equalisation reserve, which a company is required to maintain whether by law or by administrative requirement, must be shown in the balance sheet as a technical provision under the liabilities of item C.5. At present, there is only one type of equalisation reserve which UK insurance companies are required to maintain—the credit insurance equalisation reserve—and the provisions governing this reserve are now contained in regulations 76 to 78 of and schedule 14 to the Insurance Companies Regulations 1994, which is SI 1516. Consequently, only such reserves are required to be shown under the liabilities in item C.5 in schedule 9(a) of a balance sheet.

Subsection (2) of Lords amendment No. 1 amends the notes to the balance sheet format to require that reserves required to be maintained by a company under section 34(a) of the Insurance Companies Act 1982 also need to be shown under this balance sheet caption. Although it is a technical matter, it is important.

Mr. Peter Ainsworth (Surrey, East): I am grateful to my hon. Friend for interrupting his technical analysis of the legislation. Am I right in thinking that some, perhaps in the accountancy profession, have argued that as what is involved here is a reserve and not a liability, item C.5 might not be the appropriate place for equalisation reserves to be disclosed in the balance sheet?

11 am

Mr. Hawkins: My hon. Friend raises an important concern. I propose to deal with some of the concerns that the accountancy profession has expressed a little later in my remarks. I am sure that my hon. Friend will be pleased to know that it is now understood that the Accounting Standards Board, following discussions with the Department of Trade and Industry, has agreed a position. Perhaps we shall hear a little more about that from my hon. Friend the Minister. I shall deal with the matter later if my hon. Friend will allow me.

Subsection (3) of the new clause which amendment 1 seeks to insert amends paragraph 50 of schedule 9A in accordance with the requirements of article 62 of the directive to provide that the amount of equalisation reserves maintained under section 34A of the 1982 Act be determined in accordance with regulations made under that section. The word "determined" has been substituted for the word "value" on the basis that it more accurately reflects the requirement to maintain reserves. That is believed to be equally consistent with the terms of article 62 of the insurance accounts directive, which provides that member states which require equalisation reserves shall prescribe the valuation rules to be applied to those reserves.

No amendment is required in respect of the profit and loss account format, because the existing wording refers to

"change in the equalisation provision",

which will cover all such provisions that are required to be maintained.

On the matter of matching the returns to the Department of Trade and Industry and shareholder accounts, the amendments will also have the benefit of keeping treatment of equalisation reserves in the returns to the regulator, the DTI and the accounts to shareholders on a similar basis. Although the two reports are prepared on a different basis in some respects, it is helpful to keep the formats broadly similar. The amendment achieves that.

Companies will in future in periods covered by the insurance accounts directive, namely, financial years commencing on or after 23 December 1994, in their annual returns to the DTI be expected to differentiate between statutory and non-statutory equalisation reserves in line with the provisions of article 30 of the insurance accounts directive.

The issue of whether accounts show a true and fair picture is extremely important to the accountancy profession. I am very much aware that a view has been expressed in the profession that this accounting treatment of equalisation reserves might not be desirable because it shows an item which, in the view of some members of the accountancy profession, is a reserve, as a liability since it relates to future claims. I respond to that in two ways. This point perhaps deals with the important point made by my hon. Friend the Member for Surrey, East (Mr. Ainsworth).

First, as I have explained, this treatment is embodied in European law. It is the way in which many European states have accounted for equalisation reserves. There was a clear majority for including that treatment in the insurance accounts directive. Therefore, the UK has no option but to follow that treatment. It accepted the principle when it adopted the treatment for credit equalisation reserves.

Secondly, however, I see a distinction between equalisation reserves and other reserves. Their levels are set such that, having regard to previous volatility in the areas of business covered, it is foreseeable that those continuing in these lines are encounter liabilities in the form of exceptional levels of claims for which they will need their equalisation reserves.

The House will recall from the very able presentation at an earlier stage in the Bill's proceedings by my hon. Friend the Member for Hertfordshire, North that the whole purpose of equalisation reserves is to deal with the particular extraordinary liabilities of massive environmental and other disasters. That is the crucial matter not only in the Bill but in the amendments.

I know that discussions are continuing within the insurance industry and the accounting profession. I am confident that there will be final agreement on the way in which equalisation reserves should be disclosed in the accounts of UK insurance companies, to comply with the law and with the accountancy profession's desire that what is disclosed is, as far as possible, in accordance with the generally accepted accounting practice of the UK accounting profession as regards a true and fair view. That is clearly extremely important.

As for the single market, as my hon. Friend the Member for Hertfordshire, North explained most ably on Second Reading, the industry is convinced that equalisation reserves have an important, indeed crucial, part to play in ensuring the success of insurance companies in competing with others based in a single insurance market within Europe and in the world markets, where UK companies compete head on with their European rivals. If one examines the amount of premium income from some of the European companies such as Allianz in Germany and UAP in France, one sees that it is crucial that UK insurance companies, which have a massive opportunity in the world insurance market, should be able to compete in an even way with their European rivals.

The insurance accounts directive is a key part of the EC single market programme which the Government have so strongly and rightly supported. It plays an important role in opening up the EC insurance market by improving the comparability and transparency of insurance companies' accounts throughout the EU. It is complementary to the third life and non-life insurance directives, which provide the legislative framework for the single market in insurance products. A significant part of the directive's purpose is to improve the comparability of the accounts of insurance companies and groups throughout the EU by providing a measure of harmonisation of their form and content. That is an important part of the development of—to use the notorious but important phrase—a level playing field in insurance.

The amendment plays a key part in the Bill's objective of assisting the competitiveness of the UK insurance industry with its European counterparts in both the European and world markets. Many policy holders and their advisers choose an insurance company at least in part on the strength of its position as shown in its accounts. The amendment ensures that those preparing and using insurance company accounts will know clearly how equalisation reserves set up as a result of regulations made under the Bill are reported.

Mr. Peter Ainsworth: I am grateful for the opportunity to say a few words on this excellent Bill. I should like to preface my remarks by complimenting my hon. Friend the Member for Hertfordshire, North (Mr. Heald), now Under-Secretary of State for Social Security, on having the inspiration to introduce the Bill and on taking it so ably through the House as far as he was competent to do so. I also congratulate him on his elevation to ministerial rank. The House will appreciate the work that my hon. Friend the Member for Blackpool, South (Mr. Hawkins) has undertaken since taking up this worthwhile cause.

We were talking earlier about the Olympics and the world of sport. The world of insurance seems a far cry from the glamorous world of the Olympics. I mean no disrespect to my hon. Friend the Member for Blackpool, South when I say that, but these are technical matters which are likely to remain opaque to most members of the public. They are none the less important matters. Many of us have our ups and downs with the insurance industry. I certainly have. It is not one of my favourite things to have to deal with. One puts in a great deal of money and gets it back only when something unpleasant happens. The industry has a difficult public relations exercise to conduct.

None the less, insurance is one of our most important industries. In London alone, it employs about 60,000, people and the non-life side of the business, which is the side that is likely to benefit from this legislation, involves premium income of about £12 billion a year. It is a major and successful part of British industry, one of the keys to the success of the City of London, which is so important to the economy of the nation as a whole, and a substantial employer.

The industry has come under a lot of pressure, however, in recent years. Obviously that was partly due to recessionary factors, increased competition and the string of almost unprecedented natural disasters—earthquakes, storms, hurricanes, typhoons, the Piper Alpha disaster and so forth. It is in establishing a better way to provide for that sort of eventuality that the claims equalisation reserves will be so helpful.

United Kingdom insurance companies have been subject to a competitive disadvantage because they have not had tax relief on setting up equalisation reserves to smooth the peaks and the troughs of the insurance business when such disasters strike. On Second Reading, it was clearly established that, while there is no call on the Exchequer in establishing the reliefs envisaged in the

[Mr. Peter Ainsworth]

Bill, there will be a significant economic and commercial benefit to the insurance world, and I sincerely hope also to the customer. Every year, the premiums that we are asked to pay seem to rise inexorably. The establishment of equalisation reserves could smooth things out and reduce the need for these apparently inevitable hikes in the premiums, which will be a very good thing.

The Bill is simply an enabling measure. My hon. Friend the Member for Hertfordshire, North published a consultation document, which I hope will receive wide attention. I also hope that, following today's debate, he will be able to move swiftly forward with detailed regulations to implement what is envisaged in the Bill.

The amendments that the other place has wisely put before this House are very welcome, as my hon. Friend the Member for Blackpool, South said. The enormous technicality of whether liabilities item C.5 is the appropriate place for the reserves to be, I leave to accountancy professionals, to whom these things mean something. I am told, however, that the amendments will require companies to show all the equalisation reserves that they are required to maintain under the item, which will create the clarity and consistency that are so important to those who use the accounts of insurance companies and study such matters.

There is also the European dimension. There is not much point in setting out procedures to establish a more level playing field with our European competitors, if the accountancy treatment of the claims equalisation reserves is not consistent. As my hon. Friend the Member for Blackpool, South said, the amendments help to place our insurance industry on a more equal footing with its European competitors, which have successfully increased their market share in London in recent years.

Although the Bill may appear dry, academic and technical, it has a great deal to do with promoting and securing the success of one of our most important industries and is, therefore, welcome, as are the amendments. I sincerely hope that the Bill will be successful and that my hon. Friend the Minister will be swift in implementing legislation to bring this important competitive advantage to one of our most distinguished and successful industries.

Mr. Alistair Darling (Edinburgh, Central): We support the Bill and the amendments and I am grateful to the hon. Member for Blackpool, South (Mr. Hawkins) for having set out the background and drawn our attention to many interesting points to which the Minister will no doubt reply and on which I see no need to comment.

It would also be right to draw the attention of the House to the efforts of the hon. Member for Hertfordshire, North (Mr. Heald). As those of us who have engaged in the lottery of the private Member's Bill procedure to introduce legislation that has all-party support know, it takes a lot of time. It is remarkable how Bills that have all-party support tend to be held up much more than those that are contentious. The hon. Gentleman deserves credit and his efforts have clearly been noted by the Whips and his leader as he has been promoted to greater things.

11.15 am

We should also be grateful to the other place, which, as we have come to expect, has amended and improved the Bill. It is worth reflecting on the fact that many private Member's Bills are substantially improved and tightened up in the other place, which deserves credit for that.

I raised the need for such a provision during the passage of the 1993 Finance Bill. Although I am sorry that the Government were not able to find Government time for the legislation, we now have a measure which will hopefully receive Royal Assent shortly and which, as the hon. Member for Surrey, East (Mr. Ainsworth) said, will greatly benefit the insurance industry, particularly as it finds itself in increasing competition with insurance companies based in other parts of the European Union. Most other member states have such provisions, which gives them a competitive advantage.

There is no doubt, either in the industry or in the House, that this measure is a great advantage to the industry. All of us want the United Kingdom insurance industry to compete well within the EU and other parts of the world, which it is doing. Other measures will, of course, be necessary to help, but the Bill is very welcome.

I have two questions of which I gave the Minister some prior notice at least an hour or so ago and I will put them on record so that I can get a Government response. I appreciate that the Minister represents the Department of Trade and Industry rather than the Treasury, but I think that I may properly ask him when the Government will say whether tax relief is to be given or what measure of it is to be given to the reserve funds. One of his colleagues in the other place said that the Government would at some stage indicate its tax policy and reference was made to a statement by the former Financial Secretary to the Treasury, who said that the Government were considering tax relief for an acceptable scheme. It might be helpful if the Minister told us what stage those considerations have reached. I appreciate the fact that that may properly be a matter for the Chancellor's budget statement, but it would help the industry and the House if the Minister said how far the Inland Revenue has got.

To some extent, the question of tax relief begs the question as to what the regulations will be. Without that detail it is difficult to see on what basis there would be tax relief. One point that is worth drawing out is that, when the matter was first raised and a former Financial Secretary to the Treasury—now Secretary of State for Health—made a statement of the Government's intent, it was said that the matter was to be tax-neutral. Perhaps the Minister can confirm that that is the case, if he is in a position to do so.

Another obvious question is, where have we got with the regulations to be made under the Bill? The DTI has produced a consultation paper, to which the industry and others have no doubt been responding.

For the Bill to work there must be regulations and it is in the interests of all concerned that those regulations are brought before the House at the earliest opportunity. I saw in the DTI consultation paper that it was thought that those regulations would come into effect in December 1995. Given that the House is about to rise for the long summer recess and will not return until the middle of October, time is getting tight. So I assume that the regulations are at an advanced stage or that those in the DTI and possibly the Treasury will work throughout the summer to lay the regulations before the House when we return. Although that is conceivable, will the Minister let us know the position?

It would be helpful if the Minister gave a specific response on those two matters. He may also wish to respond to the other matters that have been raised but I do not intend to refer to them because that would be unnecessarily repetitive, among other things. I conclude by reaffirming our support for this measure. I hope that it will receive Royal Assent at the earliest opportunity, which will be of great benefit not just to the insurance industry and all those who work in it but to the country as a whole.

The Parliamentary Under-Secretary of State for Corporate and Consumer Affairs (Mr. Jonathan Evans): First, I thank the hon. Member for Edinburgh, Central (Mr. Darling) for his remarks. He is absolutely right to say that in 1993 he first identified the demand on the part of the British insurance industry for equalisation reserves to be granted tax relief, not least to help our insurance companies in the non-life sector to compete with companies on the continent, which are currently given tax relief.

I was grateful for the remarks made by the hon. Member for Middlesbrough (Mr. Bell), who led for the Opposition when the Bill was considered on Second Reading. I should also express a measure of sympathy with the hon. Members for Edinburgh, Central and for Middlesbrough, in that, although they both understood the Bill's importance for the British insurance industry and the fact that it had wide all-party support in the House, they and my hon. Friend the Member for Hertfordshire, North (Mr. Heald), now Under-Secretary of State for Social Security, went through the difficulty of trying to persuade some hon. Members in the new Labour party of the importance of this measure.

Mr. Peter Ainsworth: I was present during the Second Reading debate armed with what I regarded as a finely honed speech, which was never delivered because sadly some Opposition Members were determined to be so voluble as to impede the Bill's progress. I remind my hon. Friend that the hon. Member for Bolsover (Mr. Skinner) said that the Bill

"is all about arranging things in favour of the bosses of the insurance companies so that they can get increased directors' pay and all the rest of it."—[*Official Report*, 27 January 1995; Vol. 253, c. 651.]

My hon. Friend might like to comment on that assertion.

Mr. Evans: I do not intend to detain the House with too much comment in that direction because in a way it would be unfair to the hon. Member for Edinburgh, Central, who has always supported this measure. Although the Bill has had widespread all-party support, I recognise that there have been difficulties and I am grateful to the hon. Gentleman for the efforts that he, at least, has made to persuade those in his party of the merits of the argument. He knew that the Bill was of great importance to the insurance industry.

Mr. Darling: I am grateful to the Minister for his kind comments and for letting me intervene. As people outside the House follow our proceedings, I should draw attention to the fact that part of the difficulty in relation to this Bill and others was that it was caught up in the controversy about the Civil Rights (Disabled Persons) Bill, which I note has been set down for today's business. That fact, and everything that the public and the House know about how the Government dealt with that Bill, led to unfortunate delays on this measure and others. With due respect to the Minister, it might be an idea to get on with discussing this Bill rather than engaging in a political dogfight, which I am happy to have but which would not be particularly productive on a day such as this.

Mr. Evans: I had intended to move on with the Bill in hand. The only thing that prevented me from doing so was my generosity in giving way to the hon. Gentleman.

I am grateful to those hon. Members who expressed their thanks to my hon. Friend the Member for Hertfordshire, North for introducing this measure in the first place. At this stage, he cannot take the proceedings further because of his well deserved appointment to ministerial office, but we all recognise the efforts that he made in carrying the measure through. I thank my hon. Friend the Member for Blackpool, South (Mr. Hawkins) for taking on the Bill at this relatively late stage in the proceedings. I also thank the noble Earl Northesk, who demonstrated great competence and clarity when he presented the Bill in another place.

My hon. Friend the Member for Blackpool, South has mastered the details of the Bill quickly and presented the Lords amendments before the House skilfully and persuasively. They are technical matters but they are also very important. This debate has been valuable and thoughtful. I join those hon. Members who have welcomed my hon. Friend's efforts and endeavours for the manner in which they spoke to the amendments today and the efficient organisation that has enabled the Bill to reach its final stages in the House.

May I express my delight that other hon. Members have referred to the role played by my hon. Friend the Member for Ryedale (Mr. Greenway) in his position as chairman of the all-party group on insurance, who has promoted this idea with vigour equal to that of the hon. Member for Edinburgh, Central. Finally, I thank my hon. Friend the Member for Surrey, East (Mr. Ainsworth) who was present throughout Second Reading and is a sponsor of the Bill.

In dealing briefly with the Lords amendments, I take the opportunity to clarify the Government's position on the points that have been raised by the Accounting Standards Board. My hon. Friend the Member for Surrey, East referred specifically to the concerns outlined by the board and others on the accounting treatment of equalisation reserves. This matter has been discussed with the Accounting Standards Board and the Association of British Insurers. Under the insurance accounts directive, equalisation reserves are required to be shown as liabilities in published accounts. The amendments introduced by the noble Earl Northesk in another place give effect to that part of the directive for any equalisation reserves that might be created using new section 34A of the Insurance Companies Act 1982, which is inserted by the Bill.

The Government recognise that that treatment would not normally apply under generally accepted accounting principles in the United Kingdom. Equalisation reserves represent amounts set aside to meet potential future obligations. Such amounts would normally be treated as reserves rather than liabilities in a company's accounts. We have received representations from the Accounting Standards Board and others that there should be adequate disclosure in the accounts to enable someone reading the accounts to understand the nature of the equalisation reserve, and that the treatment of equalisation reserves required by the insurance accounts directive should not be permitted to weaken the "true and fair" concept that applies to company accounts generally.

[Mr. Evans]

On the first point, I understand that the Accounting Standards Board and the Association of British Insurers are discussing how adequate disclosure can be achieved, and that there are good prospects for agreeing guidance to companies on that issue. We fully support that. On the second point, the Government have strongly supported the extension of "true and fair" reporting to the insurance sector via the insurance accounts directive.

Save in exceptional circumstances, such as those that apply to equalisation reserves, insurance companies are legally obliged to follow the true and fair requirement as it applies generally. Like other companies, they are expected to comply with applicable accounting standards. We do not believe that the treatment of equalisation reserves has any wider implications for the interpretation or meaning of the "true and fair" view which all company accounts are required to give, either in relation to other aspects of the insurance business or for companies more generally.

Having dealt with those matters which are directly related to the amendments before the House, I will now respond briefly to the points raised by the hon. Member for Edinburgh, Central. He will be aware that this measure is necessary because it is a preliminary step that must be in place to ensure that tax relief can subsequently be made available for equalisation reserves.

11.30 am

That is a twofold process. The first part of the process is for us to have legislation in place. The second part much involves Treasury Ministers. It is for my right hon. and learned Friend the Chancellor of the Exchequer, when he comes to make his Budget statement, to make any statement that may be necessary about the tax treatment of the reserves that we are discussing. The Government have made it clear throughout the passage of the Bill that they are not in a position at this stage to give any commitment on what the position may be at the time of the Budget statement. The Bill is important because it is vital to ensure that a statutory vehicle is available as and when tax relief may be agreed by my right hon. and learned Friend the Chancellor.

The hon. Member for Edinburgh, Central talked about the period of consultation on draft regulations. The hon. Gentleman will know—he has seen the consultation paper—that there has been widespread consultation. I understand that over the past few days the Department has received responses from the London Insurance and Reinsurance Market Association and the Association of British Insurers. We would hope to be in a position to publish draft regulations by about mid-September. Thereafter the regulations will be laid as and when any concession may be made on the tax treatment of the reserves. It would be inappropriate to lay any such regulations unless subsequently there is a statement by my right hon. and learned Friend the Chancellor to the effect that such tax treatment will be made available.

Once again, I thank my hon. Friend the Member for Blackpool, South for all his work on the Bill and congratulate him on his skill in explaining the amendments. I also offer my thanks to my hon. Friend the Member for Hertfordshire, North for his efforts in introducing the Bill when he was on the Back Benches. I am well aware that in the non-life sector the Bill is warmly welcomed by the insurance industry. The Government welcome it as well.

Mr. Hawkins: I shall respond briefly to one or two of the points made in this short but important debate. I thank my hon. Friend the Minister for what he has said about the agreement between the Accounting Standards Board and the Association of British Insurers. I thank also my hon. Friend's officials, who have clearly been working extremely hard to ensure that the agreement between the board and the ABI can be referred to this morning.

I pay tribute to my hon. Friend the Member for Surrey, East (Mr. Ainsworth) both for his perceptive interventions and remarks this morning and for being present throughout the earlier stages of the Bill's consideration. He was a sponsor of this important measure. It is a great shame that he did not have the opportunity to give the House the benefit of his fuller remarks on Second Reading. We have had an indication this morning of the interest that he takes in these matters. Perhaps there will be other occasions when insurance matters come before the House, when we will be able to hear my hon. Friend at greater length.

I look forward to the future discussions between the Accounting Standards Board and the ABI. I am as confident as my hon. Friend the Minister that an agreed view will be reached. I look forward also to seeing the results of the consultation process. Important issues are dealt with in an extremely detailed consultation paper that has been produced by the Department. I do not intend to detain the House by referring to those issues. I welcome the fact that some of the most important bodies such as the London Insurance and Reinsurance Market Association and the ABI have already made submissions in response to the consultation paper. I hope that many other bodies and companies will do so. It is crucial that United Kingdom insurance companies should benefit from this legislation to enable them to compete adequately in the rest of the world with European insurance companies.

I welcome the contributions that have been made in this short debate.

Lords amendment agreed to.

Madam Deputy Speaker: We now come to Lords amendment No. 2, which will be moved formally.

Mr. Hawkins: Rather than moving it formally, Madam Deputy Speaker, I should like to say a few words.

Madam Deputy Speaker: That is not possible. As Lords amendments Nos. 1 and 2 were grouped together, any remarks about amendment No. 2 should have been made when amendment No. 1 was being discussed. It is now too late.

Lords amendment No. 2 agreed to.

National Health Service (Amendment) Bill

Lords amendment considered.

Clause 14

SHORT TITLE, ETC.

Lords amendment: No. 1, in page 11, line 12, after ("2") insert (",3").

11.34 am

Mr. John Austin-Walker (Woolwich) *rose—*

Mr. Michael Fabricant (Mid-Staffordshire): On a point of order, Madam Deputy Speaker. I raise this matter while my hon. Friend the Under-Secretary of State for Corporate Affairs is still in the Chamber. Is he to make a statement about the marvellous news in the west midlands—I have the privilege to be a west midlands Member—that £80 million of intervention funding is to be made available by the Department of Trade and Industry? We are seeing a £400 million investment of private money from the Jaguar motor company, some—

Madam Deputy Speaker: Order. I cannot allow the hon. Member to raise a point of order simply to make observations. The matter is concluded.

Mr. Austin-Walker: I beg to move, That this House doth agree with the Lords in the said amendment.

Hon. Members will remember that the Bill received all-party support during each stage of its passage through the House, for very good reasons. It was understood that the Bill was concerned with the protection of national health service patients. The same was true in the other place. There has been all-party agreement on the Bill's principles and scope. I wish to reassure hon. Members immediately that the amendment does not alter those principles or scope.

The amendment was introduced in the other place by the Government. It received cross-party support. It deals with a technicality. It clears up a difficulty in the drafting of the Bill, and relates to the timing of the commencement of the Bill, when enacted, in relation to the coming into force of the Health Authorities Act 1995.

The Bill rightly refers to "health authorities". It refers to the new authorities that will come into existence on 1 April 1996 when the Health Authorities Act comes into force. Family health services authorities are not health authorities within the meaning of the National Health Service Act 1977. To allow the provisions of the Bill to apply to family health services authorities before April 1996, provision had to be made for reference to health authorities to be read as references to family health services authorities. Clause 14(5) provides that where clauses 2 and 6, which set out the arrangements for the suspension of practitioners and for the constitution of the tribunal, refer to a health authority, that means a family health services authority until 1 April 1996.

Regrettably, clause 14 omitted an additional reference to a health authority. The additional reference is contained in clause 3. One of the effects of clause 3 is to bring tribunals into line by removing practitioners' right of appeal to the Secretary of State against directions of the NHS tribunal. Such appeals will be made to the High Court on a point of law. Perhaps most importantly, the clause provides health authorities with the power to implement tribunal directions that practitioners should be disqualified. That is the central point of the Bill.

If clause 3 had remained unamended, tribunal directions to disqualify practitioners between the date of commencement of this measure and 1 April 1996 would be meaningless. They could not be put into effect by family health services authorities. By bringing clause 3 into the ambit of clause 14(5), the problem will be overcome.

I believe that it would have been possible technically to delay the implementation of clause 3 until after the Health Authorities Act came into force. I discussed that possibility with the Department and with officials of the NHS executive. However, the Government concluded that it was preferable to table the amendment to preserve the Bill's intentions. I agree with that view and I am happy to accept the amendment.

As I said on Second Reading, I presented the Bill in the light of the experience of some of my constituents because I believed that their safety was placed at risk by the existing arrangements. I raised those matters with the Minister of State. He and I normally exchange angry views across the Chamber but I hope that the Under-Secretary of State for Health, the hon. Member for Battersea (Mr. Bowis), will convey my thanks to the Minister of State for his positive response to me I also thank Baroness Gardner of Parkes for taking the Bill through the Lords, the officials in the Department of Health and especially those in the national health service executive for their assistance. The amendment is small but important. I commend it to the House and hope that hon. Members will give the Bill final approval.

Mr. Paul Boateng (Brent, South): On behalf of my hon. Friend the Member for Dulwich (Ms Jowell), who speaks for the Opposition on these matters and is unavoidably detained by a long-standing constituency commitment, I welcome the amendment, whose intentions have been explained by my hon. Friend the Member for Woolwich (Mr. Austin-Walker). The House and the millions of national health service patients who will benefit from the Bill owe him a debt of gratitude. He has done the House, his constituents and the nation a great service by introducing this much needed and extremely helpful measure. We are happy to do all that we can to speed it on its way.

The Parliamentary Under-Secretary of State for Health (Mr. John Bowis): I am grateful to the hon. Member for Brent, South (Mr. Boateng), who is standing in for his hon. Friend the Member for Dulwich (Ms Jowell), for his endorsement of the Bill and the amendment. I am sure that he will forgive me if I express even more gratitude to the hon. Member for Woolwich (Mr. Austin-Walker) who has steered the Bill through the House and spoken to the amendment. I am grateful to him for the gracious way in which he spoke about my hon. Friend the Minister of State. I shall certainly pass on his message of a ceasefire, or perhaps a temporary ceasefire. That will be treasured by my hon. Friend who, I am sure, will read *Hansard* in bed tonight with a little glow of pleasure.

Mr. Boateng: If that is all he gets pleasure from I feel sorry for him.

Mr. Bowis: I do not think we should follow the hon. Member for Brent, South down his pleasure routes.

[Mr. Bowis]

I am also happy to accept thanks to Baroness Gardner of Parkes and to the officials in my Department and in the NHS executive. I am sure that they will be appreciated.

As the hon. Member for Woolwich said, the amendment seeks to correct an anomaly that would arise if clause 3 were not brought under the scope of clause 14(5). The Bill has the Government's full support and I am pleased, or fairly pleased, to be here to take it through what I hope will be its final stage before Royal Assent. I had the pleasure of dealing with the Bill in its earlier stages and it went to the other place with the Government's blessing.

At first sight the Bill's subject matter seems somewhat arcane. The National Health Service Tribunal is perhaps not much in the public eye. The hon. Member for Woolwich spoke about his personal experiences and about the tribunal's important function. It is a quasi-judicial body which considers representations from family health service authorities that individual practitioners should be removed from authorities' medical, dental, pharmaceutical and optology lists. Doctors, dentists, pharmacists and ophthalmists may provide family health services as unrestricted principal practitioners only if they are included in such a list. The NHS tribunal is the only body with the power to remove them from a list and thus from general practice.

As the House would expect, the tribunal's powers are rarely invoked and only in extremely serious cases where a practitioner's conduct or practice is such that the family health services authority feels that the provision of services is in jeopardy. The tribunal is asked to consider only about five or six cases a year, but they involve circumstances, about which the hon. Member for Woolwich spoke at an earlier stage in the Bill's progress, where patient care may have been compromised either directly, because the practitioner poses a physical threat to his patient, or indirectly, because the standard of care that he provides falls far short of that which the NHS, patients and the House have a right to expect.

11.45 am

In cases where the tribunal considers an authority's concerns to be justified, it may order the removal of a practitioner's name from the appropriate list and may even prevent its inclusion in similar lists that are held by other authorities. I pay tribute, as I am sure does the hon. Member for Woolwich, to the tribunal's chairman, Adrian Whitfield QC, for the assiduous way in which he and his colleagues perform their functions.

The tribunal has far-reaching powers but the Bill is valuable because the workings of the tribunal could be streamlined in several ways. It is valuable most of all because there is a serious gap in the tribunal's available powers. The Bill allows for the appointment of a permanent deputy chairman, lay members and a wide pool of professional members. That would better equip the tribunal to carry out its functions with the required speed.

The Bill will enable the NHS tribunal to declare that disqualified practitioners should not be allowed to work in the family health service as locums, assistants or deputies to principal practitioners. At present no such restrictions are available to the tribunal, even when it feels that it would be wholly inappropriate for a disqualified practitioner to provide services as a locum, assistant or deputy. The Bill will plug that loophole.

The measure removes a practitioner's right of appeal to the Secretary of State for Health but will leave in place the right of appeal that is provided by the Tribunals and Inquiries Act 1971 to the High Court on a point of law. The Franks committee recommended that appeals from decisions of all tribunals should be made to a court. The provision brings the NHS tribunal into line with good tribunal practice. Most importantly, the Bill will provide the tribunal with a power to suspend practitioners from providing family health services in wholly exceptional circumstances so as to protect patients.

The family health services authorities, which make representations to the tribunal, said that the continued inclusion of a practitioner's name in one of their lists would be detrimental to the provision of services in their areas. They will be able to ask the tribunal to suspend that practitioner from duty with immediate effect where it is felt that that is vital to protect patients. If granted, that order would remain in force until a tribunal was able to hear in full the representations made against the practitioner in question.

Some hon. Members may have thought that the power that I have outlined already exists. Of course it does for practitioners who are employed in hospital and community services. That is why, in the topical case of Dr. Kiberu, such steps were possible. But the key word is "employed". Family health services practitioners are not NHS employees. They hold a contract of service with the NHS and are regulated by family health services authorities. Their contracts of service do not contain a clause allowing for suspension or disqualification from practice, nor can the powers that are available to the professional regulatory bodies, which in any case are to protect professional standards, assist in the immediate removal of practitioners from family health services authorities' lists.

At present there is no means by which a practitioner can be removed from practice immediately, even when that appears to be essential to protect patients. It is plain that the NHS needs power to do that, although from what I have said about the rarity of tribunal hearings the House may appreciate that we do not expect the power of suspension to be used often. However, such cases arise when the conduct or practice of a practitioner may be such that fears are raised for the safety of his patients. In such cases, the NHS needs to be able to act quickly to secure above all else patient safety.

That is why the NHS is grateful to the hon. Gentleman for bringing the Bill forward. The amendment does not alter the substance of what the Bill seeks to achieve. It is the substance of the Bill and the purpose of the NHS tribunal that the amendment protects. As the hon. Gentleman said, we foresaw real difficulties if the scope of subsection 14(5) was not extended by an amendment to cover clause 3. As the hon. Gentleman has described, clause 3 removes the arrangements under which practitioners may appeal to the Secretary of State for Health against decisions to disqualify them. It goes on to provide health authorities with the power to implement tribunal directions that practitioners should be disqualified.

New health authorities will not be established until 1 April 1996. Therefore, without the amendment, family health services authorities would not be able to carry out directions of the national health service tribunal to disqualify practitioners. It follows that such directions made before 1 April 1996 would have been meaningless. Only the most serious cases are referred to the NHS tribunal. The hon. Gentleman brought this Bill before the House with patient safety at the forefront of his mind. I recall the eloquence with which he cited a case in his constituency where patients had, at the very least, been put at serious risk.

Clearly it would be nonsense if NHS tribunal directions to disqualify practitioners could not be implemented for however short a period as a result of a technicality. Bringing clause 3 under the scope of subsection 14(5) will put that right. It is simple and will ensure that the hon. Gentleman's intention in introducing the Bill and the House's earlier understanding of its provisions are preserved, so I am grateful to the hon. Gentleman for piloting this amendment and the Bill through the House. I hope that the House will view it as favourably as it has the Bill and that hon. Members will allow the Bill to complete its final stage, coupled with thanks to the hon. Gentleman.

Lords amendment agreed to.

Landlord and Tenant (Covenants) Bill

Lords amendments considered.

Clause 1

TENANCIES TO WHICH THE ACT APPLIES

Lords amendment: No. 1, in page 1, line 6, after ("Sections") and insert

("(*Transmission of benefit and burden of covenants*), (*Transmission of rights of re-entry*),")

11.52 am

Mr. Peter Thurnham (Bolton, North-East): I beg to move, That this House doth agree with the Lords in the said amendment.

Madam Deputy Speaker (Dame Janet Fookes): With this, it will be convenient to discuss also Lords amendments Nos. 10, 11, 16, 23, 28 to 30, 39, 61, 62, 74 and 88.

Mr. Thurnham: Today is a day that has been looked forward to by many tens of thousands of small business men and shopkeepers up and down the country, who long to be free of the worry of landlords pursuing them many years after they have vacated their premises.

I give thanks to my noble Friends the Earls of Courtown and of Northesk, who assumed stewardship of the Bill in another place. My noble Friend the Earl of Courtown introduced the Bill so successfully that he was quickly promoted to the Whips Office, leaving the Bill to be ably carried through by my noble Friend the Earl of Northesk, who also helped with another Bill that we have already debated today.

I am immensely indebted to my noble and learned Friend the Lord Chancellor who has been so instrumental in introducing the 89 amendments to my Bill, all of them useful and many crucial to the Bill's success. I hope that the amendments will commend themselves to the House.

I thank the Law Commission and parliamentary counsel for their enormous assistance, without which the Bill would certainly be a much less effective reform and would probably not have been able to progress this far. I am immensely grateful to my hon. Friend the Parliamentary Secretary, Lord Chancellor's Department for the excellent and inestimable work that he and his Department have done in securing agreement and in helping Bill on its way.

Finally, I thank the British Retail Consortium, which sponsored the Bill, and with its legal advisers, and the British Property Federation for all that it did in working out the package of additional changes that enabled the Bill to proceed on the basis of agreement and support on all sides, without which, as the private Member's Bill not drawn in the ballot, it could never have got off the ground.

When the Bill was last before the House, on 21 April, I expressed delight that it had got as far as Third Reading and I am overjoyed that we are now in the final stages of a difficult, but immensely valuable undertaking. The reforms that it will enact will benefit all sorts of tenants by removing the spectre of privity of contract liability from new tenancies, and will also introduce changes to help tenants under existing tenancies, changes for which tenants have been crying out for a long time. They will also provide for new tenancies a sensible and balanced

[Mr. Thurnham]

modification that will provide the property industry with the necessary control over investment to maintain market confidence, without the need for harsh restrictions.

The House would be assisted by an overview. Although the number and complexity of the amendments may appear daunting, none of them affects the policy aims of Bill which the House agreed earlier this year. The amendments will ensure that those aims are effectively met. Hon. Members will recall that the Bill proceeded in the House on the clear basis that changes would be incorporated in another place and the purpose of many of the amendments is specifically to make the necessary provision for those changes.

I shall stick closely to my notes because I appreciate that what is reported in *Hansard* can be referred to later by the courts. As was explained in the other place, the amendments fall into two categories. The first category comprises amendments that are necessary to give affect to the various elements of the agreed package put forward by the British Retail Consortium and the British Property Federation and accepted by the Government after consultation. Those amendments were tabled by my noble Friend the Earl of Courtown. The second category comprises amendments that are necessary to ensure that the Bill is complete and that it gives full effect to the recommendations of the Law Commission, which, it should be remembered, are at the heart of the reforms. Those amendments, many of which are technical, were tabled by my noble and learned Friend the Lord Chancellor. Amendment No. 1 and the others with which it is particularly linked fall into that second category.

Clause 1 makes it clear that certain provisions are to apply only to new tenancies and that others are to apply to both new and existing tenancies. Subsection (1), which amendment No. 1 alters, lists the provisions that are to apply only to new tenancies. The change is necessary because a number of extra provisions are needed to carry through effectively the Law Commission's recommendations and it is accordingly necessary to add them to the list, which amendment No. 1 does.

Amendments Nos. 10, 11, 30, 61, 62 and 88 in particular, together with amendments Nos. 23 and 28 and 29, which make provision for certain special cases, are aimed at ensuring that the Law Commission scheme, which the Government accepted for new leases, will work effectively in practice and are accordingly very detailed. I shall explain the framework and I believe that my hon. Friend the Minister will be better placed than me to clothe that framework with greater detail if necessary.

Mr. Eric Pickles (Brentwood and Ongar): Perhaps my hon. Friend or my hon. Friend the Minister will comment specifically on amendment No. 10 and in particular on the idea both in subsection (2) and in subsection (3) that the concept of covenants is void unless "immediately before the assignment" was specified. I have had a case in my constituency where negotiations have been protracted and in many ways took place in two specific parts. Will my hon. Friend or the Minister clarify exactly what is meant by "immediate"? Would it have to be just before the assignment and just before the tenancy, or earlier in the negotiations, and if so, what is the limit?

Mr. Thurnham: I am interested to hear my hon. Friend's point. Nearly every right hon. and hon. Member in the House has had constituents' cases that have given them concern. I am coming on to further detail on amendment No. 10. If those points do not cover my hon. Friend's question, I am sure that my hon. Friend the Minister will be able to cover his point.

This important group of amendments is necessary to avoid potential problems arising from the interface of the new regime with existing law governing the transmission of benefit and burden of covenants and their enforcement under privity of estate, which is contained in a unsatisfactory mixture of statutory provisions and common law rules. The amendments will provide a proper framework for new tenancies in the Bill rather than attempting the extremely difficult task of amending existing law consequentially.

Amendment No. 10 introduces a new clause that sets out the basic principle for the transmission of the benefit and burden of covenants for new tenancies. It includes provision originally contained in clause 7, which is accordingly deleted, and certain parts of sections 78 and 79 of the Law of Property Act 1925, which are to be preserved for tenancies—those sections not being affected otherwise than in relation to tenancies. Together with the new clause introduced by amendment No. 11, it also replaces sections 141 and 142 of the 1925 Act, which will accordingly not apply to new tenancies. Amendment No. 88 does the job of disapplying these statutory provisions in the case of new tenancies.

12 noon

The basic principles of the Law Commission's scheme, contained in subsection (1) of the new clause introduced by amendment No. 10, is that the benefit and burden of all landlord and tenant covenants of a new tenancy are annexed to the whole and to each and every part of the lease and reversion as appropriate and shall pass on an assignment of the whole or any part. There is, as the Law Commission recommended, no distinction between covenants which touch and concern the land and those that do not. The annexation to each and every part ensures that, in the case of an assignment in parts, all covenants are enforceable by and against each of the assignees.

The assignee of a lease or reversion respectively will be bound by the burdens and entitled to the benefits of the covenants, except where they did not bind the assignor—for example, because the covenant was limited in duration or the assignor had been released from it. Where only part of the interest is assigned, the assignee will be bound by the burdens and entitled to the benefits of the covenants only to the extent that they relate to the part assigned to him. There is a saving for cases where the assignor was not bound when he assigned only because of a waiver that was expressly personal and was not intended to benefit anyone else. In such cases, it will be appropriate for the assignee to be bound by the covenant in question. There is also a saving to enable the parties to a lease to provide expressly for covenants to be purely personal and for the benefit or burden not to pass on assignment, notwithstanding the basic principle above.

The new clause introduced by amendment No. 11 reproduces for new leases the existing rules governing the transmission of the landlord's rights of re-entry under a tenancy, which would not otherwise fit into the framework for new leases, as they are not landlord covenants or tenant covenants.

Amendment No. 30 inserts a new clause which makes clear who may enforce the covenants benefiting either a landlord or a tenant under a new tenancy. Mortgagees of the reversion who are in possession and lessees of the reversion will, where they are entitled to rent and profits under the tenancy, be able to enforce and, as a corollary, have enforced against them the various rights and obligations of the landlord. Concomitantly, a mortgagee of the lease who is in possession will be able to enforce, and have enforced against him, the tenant's rights and obligations.

Amendment No. 61 introduces a further new clause to provide for another element of the framework to give full effect to the Law Commission's recommendations. This new clause makes it clear that an assignee shall have no rights or liabilities under a covenant of the tenancy in relation to anything occurring before the assignment. The new clause makes a saving for cases where the assignor expressly assigns his accrued rights to the assignee, which may be convenient in some cases as part of the bargain for the assignment. It also preserves the present position in respect of the landlord's rights of re-entry.

Amendment No. 62 ensures the completeness of clause 15, which makes provision for new leases concerning the effective release from any covenant occurring on assignment by virtue of the Act. Release on assignment will not affect any liability of the assignor for breach occurring before the assignment or any accrued rights of the assignor relating to a breach of the other party occurring before assignment. Where any person has taken on a liability parallel to that of the tenant, release on assignment to the tenant will release that person to the same extent.

Amendment No. 62 covers the case where a landlord or tenant assigns the whole of his interest but is not released, making it clear that any such assignment does not affect any liability of the assignor arising before the assignment.

Amendments Nos. 23, 28 and 29 provide—as I mentioned earlier—for the operation of the Law Commission's scheme in certain special cases. Amendments Nos. 23 and 29 cover the possibility that there may be another party to the tenancy other than the landlord and tenant—that is to say, a management company. Amendment No. 23 ensures that the procedure of clause 8 concerning apportionment of liability on assignment of part is available where it is a third party who is entitled to enforce the covenant in question. Amendment No. 29 introduces a new clause to make provision for the position of management companies in relation to the Law Commission's scheme, ensuring that the benefit and burden of covenants with management companies will pass and the provisions for releasing assignors and binding assignees will operate on assignments of the lease or reversion.

Amendment No. 28 introduces a new clause to make effective provisions for cases where an assignment is not lawful or voluntary, but takes place in breach of a covenant against assignment or by operation of law, such as passing to personal representatives on death of the landlord or tenant.

The Law Commission recommended that such assignments should not have effect to release the person parting with the interest from his rights and obligations under the lease, the possibility for misuse or unfairness to the other party being obvious. Such assignments should, however, as is the case at present, be fully effective to pass the estate and accordingly to bind the assignee. The assignor will be released only on the next assignment that is not an assignment in breach or by operation of law.

The Parliamentary Secretary, Lord Chancellor's Department (Mr. John M. Taylor): I want to start by congratulating my hon. Friend the Member for Bolton, North-East (Mr. Thurnham) on his Bill's progress into the final straight, which is in no small part due to his tireless efforts in holding to the essential principles of the reform, while facilitating and maintaining the reconciliation of conflicting interests whose clash prevented his earlier Bill from making progress. I also congratulate him on the determination and considerable persuasive skills that he has deployed in keeping this reform high on my agenda.

Before I move on to add some detail to the framework of my hon. Friend's explanation and, I hope, to add to our understanding of the amendments, I must put on record my appreciation of the Law Commission's enormous contribution in getting the Bill to this stage. Commissioners, officials and parliamentary counsel at the Law Commission have all given unstintingly of their time and expertise in assisting with the amendments that we are now considering. I am sure that my hon. Friend will not take it amiss if I say that the result of that work is a vastly improved measure, which comes to the House with the support of all sides in another place and which is thoroughly deserving of similar support in this House.

In order fully to understand the amendments and the way in which they fit into and enhance the Bill, it is necessary to have an overview of the scheme that the Law Commission has recommended and that is the underlying basis of this reform in relation to new tenancies. That scheme is full and detailed and, as a result, the amendments have also had to be full and detailed. Therefore, to proceed without a full explanation of the principal amendments would be to do the Bill and the House a disservice.

The guiding principle of the Law Commission's scheme is that all covenants and obligations between lessor and lessee should be enforceable between the landlord and tenant for the time being, with no distinction being drawn between covenants which touch and concern the land and other covenants. Thus, when the landlord's or tenant's interest is assigned, the assignee should become bound from the assignment by the whole package of rights and obligations as it bound his predecessor, including any variations. The assignee should not, however, take on any rights or liabilities in respect of any breach of covenant occurring prior to the assignment.

The corollary of this is that the assignor should cease to have any rights and obligations as from the assignment, but should not lose any accrued rights in respect of a breach by the other party prior to the assignment, and should likewise remain liable for any breach on his own part occurring prior to the assignment. The Law Commission did, however, recommend a difference in the position of landlords, which the Government accepted and which both Houses have agreed.

A landlord under a new tenancy who assigns the reversion will be released by a simple notice procedure which gives the tenant the right to argue that it would be unreasonable in the circumstances for the landlord to be released, with the final decision lying with a court in the case of a dispute. That is because tenants have no way of vetting the landlord's assignee and preventing assignment

[Mr. John M. Taylor]

to a weak or nominee assignee. The assignee's ability to perform the landlord's obligations might, in some cases, be very important.

Where only part of the landlord's or tenant's interest is assigned, the assignee is to become bound by the package of rights and obligations only to the extent that it relates to the part assigned, and is not to take on any rights or liabilities in respect of any breach of covenant which occurred prior to the assignment. Once more, the corollary is that the assignor should cease to have prospective rights and obligations in respect of the part assigned, but should retain any accrued rights relating to that part, and should also remain liable for any breach of his own in relation to that part before assignment. The assignor is, of course, to remain bound by the package of rights and obligations to the extent that they relate to the part retained by him.

Covenants do not always operate separately in respect of separate parts of the interest. In particular, covenants to pay money, such as rent or service charge, are commonly charged out of the whole of the property, and cannot, except in special circumstances, be identified as operating in respect of any one part or another. In the case of such an unattributable covenant, to use the Law Commission's term, the assignor will not be released from the covenant to any extent and will remain jointly liable with the assignor in respect of the whole of the property, albeit with the right of contribution between them.

The answer in such a case is for the assignor and assignee to agree an apportionment of liability between them and the Bill makes special provision for making such apportionment binding on the other party to the lease. The Bill also makes detailed provision for defining and identifying unattributable covenants. The original draft was difficult to understand in that respect, and there are several amendments to make it clearer.

That is the basic scheme which the original Bill set out to implement. Unfortunately, for a variety of reasons including the fact that all sides were agreed that the changes could not have retrospective effect, the original draft fell a long way short of implementing the scheme effectively. There were a number of matters which were not addressed, and as my hon. Friend the Member for Bolton, North-East said, many potential problems in the relationship of the new regime to the existing law concerning the transmission of the benefit and burden of covenants and their enforcement under privity of estate.

12.15 pm

The existing law is to be found not in one place but in a mixture of statutory provisions and common law rules, some of which date back to the 14th century. The law contains both gaps and duplication and has been criticised as being inconsistent, unclear or uncertain in several areas. Some amendment was vital for the Bill to be effective, and the choice was between leaving the existing law in place for new tenancies but undertaking consequential amendments or disapplying the existing law for new tenancies and amending the Bill to provide a complete and self-contained framework for new tenancies, giving full effect to the principles of the Law Commission's recommendations to replace the existing law. With the inestimable assistance of the Law Commission, the latter course has been chosen, so that, for new tenancies, the law will be found in one place.

I hope that the measure as amended will enjoy the whole-hearted support of the House.

Mr. Pickles: I apologise to my hon. Friend for interrupting his flow but I should like to return to the point I raised earlier. Given that the transmission of covenants is a serious matter and that negotiations can be protracted and, by their nature, can be abandoned and started up again, can he say exactly what is meant by "immediate"?

Mr. Taylor: My hon. Friend need not have feared that I would not address his point. I do not blame him for returning to it, because all too often Ministers at the Dispatch Box sit down without adequately discharging the inquiries of their hon. Friends. I would wish to discharge properly that of my hon. Friend.

The use of the expression "immediately before" is meant to address the circumstances that actually prevailed at the time of the assignment. If I, in the next moment, effected an assignment of a lease from party to A to party B, the expression "immediately before" would define the circumstances as they prevailed at that instant. I am prepared to give way if I have not dealt with my hon. Friend's inquiry. If he remains sedentary, I shall assume that he is content.

Mr. Pickles: I am content but I thank my hon. Friend for his courtesy.

Mr. Taylor: I am grateful.

Rather like my hon. Friend the Member for Bolton, North-East, I have rather stuck to my text today. In such a technical area, I am rather nervous of the case of Pepper *v.* Hart, recently decided by the Judicial Committee in the House of Lords, which suggests that in highly technical disputes such as those between landlord and tenant, lawyers may be scurrying for *Hansard* to read what hon. Members and Ministers said when a measure was being taken to the statute book. I have therefore been swayed by caution this morning and stuck to my text.

I extemporise only to say that I should like to thank among others, and in no particular order, the hon. Member for Brent, South (Mr. Boateng) who is here and has been a faithful supporter of the measure through all its stages. I would like to place on record my appreciation and that of my hon. Friend the Member for Bolton, North-East.

I also note the contributions of various parties who have worked with great good faith and assiduity to bring the matter to the stage that we have reached—very close to the statute book. The British Property Federation and the British Retail Consortium have worked heroically to close gaps, if I may put it that way. The smaller business community has also been extremely helpful in sounding out the many small shopkeepers and similar small traders with leasehold premises as to their views. The self-employed and small business organisations have been very helpful. I know that the big battalions will not mind the particular care that I wanted to take in making sure that the small battalions were also consulted.

I hope that the measure as amended will enjoy the whole-hearted support of the House. It remedies a position that, although of long standing, has increasingly become regarded as unfair and does so in a way that will maintain investment confidence while extending extra assistance to those who would not otherwise have benefited.

Mr. Paul Boateng (Brent, South): The Minister, kind and courteous as ever, expresses his thanks for the small

part that I have played in the smooth progress of the Bill. Let me in turn thank him for that and thank my noble friend Lord Irvine of Lairg for his role in the passage of the Bill through the other place. I also thank my hon. Friend the Member for Norwood (Mr. Fraser), who sadly is absent today but to whose heart I know the matter has long been especially close. He has been particularly co-operative in recent weeks to ensure its smooth passage.

Above all, the thanks of the House and of many generations to come who will be spared the injustices that have characterised this aspect of the law must deservedly go to the hon. Member for Bolton, North-East (Mr. Thurnham), who has worked assiduously on this subject for many years. There is not a soul present who has not at some time been approached by the hon. Member in order to have his ear, although never his arm, bent. We owe him a great debt of gratitude. I wish the Bill well in its remaining stages and look forward to its early introduction into law.

Lords amendment agreed to.

Lords amendment: No. 2, in page 1, line 7, after ("13") insert

("and section (*Restriction of liability of former tenant where tenancy subsequently varied*)")

Mr. Thurnham: I beg to move, That this House doth agree with the Lords in the said amendment.

Mr. Deputy Speaker (Sir Geoffrey Lofthouse): With this, it will be convenient to discuss also Lords amendments Nos. 4 and 57.

Mr. Thurnham: As I have already said, the Bill passed through the House earlier this year on the basis of a clear understanding that amendments would be tabled in another place to give effect to the four elements of the package agreed between the British Retail Consortium and the British Property Federation. This group of amendments gives effect to one of those elements, and I think that it would be helpful if I were to explain the package in outline before dealing with the amendments themselves as it is the spirit of realistic compromise and desire to make early progress represented by the package that has enabled the Bill to reach this advanced stage.

The package may be described as having two parts. The first enables landlords under new leases to have that degree of extra control over assignment of the lease which will enable investment confidence to be maintained without resort being made to the draconian instrument of absolute covenants against assignment. The second comprises three changes aimed principally at assisting former tenants under existing leases who will not be released from privity of contract. As I said, the package of changes has attracted support from all parts of the property industry and Parliament. I hope that its translation into provisions of the Bill will commend itself to the House.

The first element comprises the amendment of section 19 of the Landlord and Tenant Act 1927 to enable landlords and tenants to agree in advance the terms under which future assignments can be made. It is aimed at ensuring that landlords will be able to preserve covenant strength which underpins investment value and will apply only to new commercial tenancies. The other three elements of the agreement are aimed at assisting tenants under existing leases rather than addressing a particular need for new commercial leases. They will accordingly apply to new and existing tenancies of all types.

The second element improves protection under clause 13 which requires a landlord to give notice to his former tenant or the former tenant's guarantor within a fixed period of certain sums falling due if he is subsequently to have the right to enforce payment of such a sum against the former tenant or guarantor. That period was fixed in the Bill as originally drafted at nine months but is to be reduced to six months.

The third element limits the liability of the former tenant in respect of payments due to certain types of changes in the lease taking place after the former tenant parted with it. The final element will enable the former tenant who is made to pay for another's default to call for an overriding lease so that he may have some measure of control over his position.

The group of amendments will give effect to the third element of the package that I have just outlined. While amendment No. 1 added provision to the list in clause 1 of those applying to new tenancies only, amendment No. 2 adds to the list a provision applying to new and existing tenancies. The provision in question is the third element of the package dealing with liability in respect of subsequent variations in the lease. Amendment No. 4 simply changes the word "applies" in subsection (2) to "apply" to reflect the fact that there will, as a result of the amendments to give effect to the package, be more than one provision applying to new and existing tenancies. The substantial amendment for which they pave the way is amendment No. 57.

Amendment No. 57 introduces a new clause immediately after clause 13 of the Bill as it left this place. The new clause builds on clause 13, which opens by setting out the circumstances in which a former tenant may be liable in respect of a tenancy that he has assigned. The new clause provides that where a former tenant is under a liability in those same circumstances and the terms of the lease have been varied after he assigned the lease and after commencement of the Act, the former tenant shall not be liable to pay any sum to the extent that it is referable to that variation, provided that the variation was one which the landlord had the absolute right to refuse to make when it was made.

There may be cases where the landlord originally had an absolute right to refuse certain types of variation but where an intervening variation of the lease has taken away that absolute right. In such cases, it would not be fair for the tenant to be liable to pay any additional sum referable to the subsequent variation which was one that the landlord did have the absolute right to refuse when the tenant parted with the tenancy.

The provision turns on whether the landlord had the absolute right to refuse to make the variation, because it is not reasonable for a tenant to be expected to have in contemplation that after he assigns the lease, the landlord will change its terms so as to allow something that the tenant was absolutely prohibited from doing. On the other hand, where the variation is one which the landlord had only a qualified right to refuse to make, it is reasonable to expect the outgoing tenant to realise that the lease may be so varied after he has parted with it and to bear that in mind when making contingent provision.

[Mr. Thurnham]

In deciding whether the landlord's right to refuse the variation was absolute, it will be necessary to have regard not only to the terms of the lease but, for example, to the law generally, including in particular any statutory provision. For example, while the terms of the lease may absolutely prohibit certain tenant's improvement which the tenant is nevertheless allowed to make by virtue of the Landlord and Tenant Act 1927, any such changes, even though the rent may be affected, cannot be said to be variations coming within this clause as the landlord could not refuse to allow them.

The clause will accordingly cover such matters as variations to the nature of the premises, user, extra space for an increased rent and so on, but it will not prevent the landlord from being entitled to recover from a former tenant an increase of rent on a rent review for which the lease made provision when the former tenant held the lease, except to the extent that the increase refers to a variation of the sort covered by the clause.

I have further comments to make but, in view of the time, I shall conclude my remarks on this group at this point.

Mr. John Fraser (Norwood): I back the Bill and want it to reach the statute book as soon as possible. Indeed, I once presented an earlier version of the Bill. I do not intend to speak again, but the hon. Member for Bolton, North-East (Mr. Thurnham) described the compromise that has been reached and I wish to place on record one aspect of that compromise with which I am not happy. I am sorry that my hon. Friend the Member for Brent, South (Mr. Boateng) is not here to listen to what I have to say.

Mr. Boateng: I am behind my hon. Friend.

Mr. Fraser: I beg my hon. Friend's pardon. Obviously, he will hear what I have to say.

The foundation of my concern is that there is not equality of power between landlord and tenant. Where a property company or a pension fund has a whole portfolio of properties and one lease goes bad and somebody does not pay, the risk can be spread across the pension fund or the freeholder's investment. When original lessee liability arises, it is not usually in relation to only one person and it cannot be laid off in the same way as the vast interests of most property developers. Therefore, the balance of power is not equal.

If I were in charge of the matter or if Labour were in government, I would not have contemplated the modification of section 19 of the Landlord and Tenant Act 1927. That section has served the commercial world very well indeed and leases are freely assignable without much restriction. In my view that should continue. It is good for the function of the market and for the rights of tenants.

12.30 pm

There is, however, a compromise, and I do not wish to stand in its way. If it does not work, I expect the next Labour Government further to amend section 19 of the Landlord and Tenant Act 1927 so that there is no unreasonable restriction on the way in which tenants can assign. I can envisage landlords abusing that right if the market allows them to do so. If it is a seller's market, there will be abuses and conditions will be built into assignment that will be unduly onerous and may be impossible to achieve. I hope that does not happen, but if it turns out that way, I hope that the next Labour Government will correct that malfunction.

Mr. Boateng: My hon. Friend the Member for Norwood (Mr. Fraser) speaks from enormous personal and professional experience as a diligent constituency Member of Parliament and a practising solicitor. His concerns about the disparity of power between the parties to a lease were well expressed and well taken by the Labour party.

My noble and learned Friend Lord Irvine of Lairg has expressed elsewhere a real understanding of the concerns of my hon. Friend the Member for Norwood, who can be assured that we shall be monitoring carefully that aspect of the Bill in terms of ensuring that the inequality in the relationship between landlord and tenant does not lead to injustice. However, we take the view that it would be wrong to prejudice the speedy passage into law of the legislation at this stage by seeking to do anything that would imperil it, although I well understand the concerns expressed by my hon. Friend in that regard.

Mr. Fraser: I wish only to place on record that I had not realised that my hon. Friend was behind me when I raised the matter, and I am grateful to him.

Mr. Boateng: There is no way that I would ever be absent from the Chamber while my hon. Friend was raising a matter of concern to me and to the Labour party, and I am grateful to him.

Mr. John M. Taylor: I sympathise with the remarks of the hon. Member for Norwood (Mr. Fraser) about the mismatch between the big property landlords and the small tenants of lock-up shops who are often granted leases on the basis of take it or leave it, sign here and pay the landlord's costs as well. I accept that, but the hon. Gentleman, in the generosity of his spirit and the breadth of his experience will agree that the mismatch was the burden of privity that is removed in the context of the compromise to which he referred.

It is my opinion and I put it to the House that the compromise itself was not unreasonable. One is often restrained to what is possible and what we have here is possible. It represents a great deal of reconciliation of interests and good faith.

I am grateful to my hon. Friend the Member for Bolton, North-East for his full and helpful explanation of Lords amendments Nos. 2, 4 and 57. I cannot better explain their detailed operation, so I shall be brief. I very much welcome the group of amendments which effect a change that tenants and their advisers have been seeking for a long time. It has been generally accepted that abrogation of the privity-of-contract doctrine could be undertaken only for new tenancies, but for many that acceptance was tinged with regret that former tenants, under existing tenancies, would thereby be left exposed.

That, and the other elements of the property industry package aimed at existing tenancies, represents a significant advance for existing tenants without any adverse effect on investment confidence. I do not think that hon. Members will be surprised to learn that, when the Lord Chancellor's Department consulted on the package, there was unanimous support for that element.

As my hon. Friend the Member for Bolton, North-East (Mr. Thurnham) has outlined the package as a whole, I should also say that the package as a whole was supported by the great majority of consultees, who considered it to be balanced and reasonable. That view has been fortified by the Bill's progress.

Mr. Ken Livingstone (Brent, East): On a point of order, Mr. Deputy Speaker. May I ask you to use your power to suspend the sitting to allow a senior Minister to be brought here to answer grave allegations? I have been given a series of confidential letters from the leader of Brent council, Councillor Blackman, to Ministers at the Department of the Environment and officials at No. 10 Downing street, which thank the Government for rigging the council's grant assessment for 1994 to aid it in the election, and asking them to do the same in 1995 so that the party can hold Brent in the event of a by-election.

Mr. Deputy Speaker: That is not a matter for the Chair, but I have no doubt that the hon. Gentleman's comments have been noted.

Lords amendment agreed to.

Lords amendment: No. 3, in page 1, line 7, after ("13") insert

("and sections (*Right of former tenant or guarantor to overriding lease*) and (*Overriding leases: supplementary provisions*)")

Mr. Thurnham: I beg to move, That this House doth agree with the Lords in the said amendment.

Mr. Deputy Speaker: With this, it will be convenient to discuss also Lords amendments Nos. 6, 58 and 59.

Mr. Thurnham: This is another group of amendments giving effect to an element of the agreed package of changes that has gained across-the-board support for the Bill. They introduce the final element of the package that I outlined earlier, giving former tenants and their guarantors, under both new and existing leases of all types, the possibility of gaining a degree of control over the liability when they are called on to make good the default of a subsequent tenant, by calling for an overriding lease. Lords amendment No. 3 does the same as Lords amendment No. 2, but in respect of that different element of the property industry agreement, making it clear that the element is to apply to both new and other tenancies.

Lords amendment No. 6 is necessary to maintain the agreed policy that privity-of-contract liability is to be abolished prospectively and not retrospectively. It makes it clear that the definition of a new tenancy—which is dealt with in Lords amendments Nos. 5 and 7—is to be subject to a special rule that is part of the overriding lease provisions. That rule states that an overriding lease will derive its status from the lease under which the person claiming it has been called on to make good the default of the subsequent tenant. The overriding lease will not be a new tenancy if the tenancy under which the former tenant finds himself having to pay is not the new tenancy. The amendment is necessary to prevent inconsistency between clause 1 and the overriding lease provisions, which would cause significant practical problems and would cut across the policy of limiting the abolition of privity of contract to new tenancies.

The two substantial amendments for which the others pave the way are Lords amendments Nos. 58 and 59, which introduce two new clauses after clause 13 and immediately after the new clause introduced by Lords amendment No. 57. This element of the property industry agreement addresses a particularly difficult problem, and a way in which the doctrine of privity of contract can be seen to operate especially unfairly.

At present, although a former tenant may have to pay, and continue to pay, sums in respect of a lease that he signed long ago, he may be unable to regain possession, and may thus have nothing to show for his payments—unless he was sophisticated enough to reserve some kind of right of re-entry when negotiating the lease, or the defaulting tenant becomes insolvent, the lease is disclaimed on bankruptcy or liquidation and the former tenant is able to have the lease revested in him.

The provisions introduced by the amendments address the problem by enabling a former tenant or guarantor who has to pay in respect of a subsequent tenant's default to call for an overriding lease to be granted to him so that he can pursue remedies directly against the defaulting tenant if he is still in occupation, or take over possession and make use of the property so that he can set off the return against his liability. Former tenants will thus have some means of gaining a measure of control, rather than the helplessness which they so often feel in the face of such unexpected liabilities.

Amendment No. 58 introduces the first new clause, which sets out a former tenant's right to call for an overriding lease, the circumstances in which it arises and the terms of the overriding lease and the mechanics for its grant. Amendment No. 59 introduces the second new clause, which makes supplementary provision including such matters as the special rule to which I have referred governing whether an overriding lease is a new or existing tenancy, the question what happens if there is an unjustifiable delay in granting it and more technical matters as the land registration position.

I have further notes on this group of amendments, but in view of the time and as a courtesy to the House I shall conclude here.

Mr. John M. Taylor: I am grateful to my hon. Friend for his full and clear explanation of these important amendments. This element of the property industry package will deal with what are some of the hardest cases caused by the privity of contract doctrine. Hon. Members have on numerous occasions asked me what might be done for constituents who have found themselves paying rent for another's occupation where the landlord is unconcerned and the premises may be going to wrack and ruin with no prospect of the constituent even being able to go into possession to stop the disrepair getting worse. The amendments will provide the remedy which, it must be admitted, was lacking, and I am grateful to the property industry bodies for coming forward with them. I commend the amendments to the House.

Lords amendment agreed to.

Lords amendment No.4 agreed to.

Lords amendment: No. 5, in page 1, line 8, leave out from ("if") to end of line 12 and insert

("it is granted on or after the date on which this Act comes into force otherwise than in pursuance of—

(a) an agreement entered into before that date, or

(b) an order of a court made before that date.")

Mr. Thurnham: I beg to move, That this House doth agree with the Lords in the said amendment.

Mr. Deputy Speaker: With this, it will be convenient to discuss Lords amendment No. 7.

Mr. Thurnham: The amendments in this group are much shorter and simpler than those which the House has so far considered, but they are very important. Clause 1 concerns which provisions of the Bill are to apply to new tenancies and which to both new and existing tenancies, so it must also define a new tenancy.

The definition of a new tenancy which was in the Bill as it left this House came in for trenchant criticism, and amendments Nos. 5 and 7 accordingly carry out extensive revision. Amendment No. 5 makes clear that a new tenancy is one granted on or after the date on which the Act comes into force, unless it is granted in pursuance of an agreement entered into before that date or a court order made before that date.

Amendment No. 7 replaces subsection (4) of the original draft of the Bill with three new subsections which put beyond doubt certain matters which the draft either does not cover, or does not cover satisfactorily. The first new subsection covers the variations of leases which change the nature of the demise and so take effect as a surrender and regrant and produce a fresh tenancy. The basic principle of subsection (3) is applied so that the fresh tenancy will be a new tenancy for the purposes of the Act if the agreement for the variation is entered into after the Act came into force, but an existing tenancy if the agreement predated commencement.

The next new subsection applies the same principle to tenancies granted in pursuance of options, the treatment of which in the existing draft was particularly criticised. If the option was granted before the date on which the Act comes into force but is exercised after that date, the tenancy which is granted pursuant thereto will not be a new tenancy. The final new subsection covers a tenant's rights of first refusal to the grant of a new tenancy which might not necessarily otherwise be included in the "option", and ensures that the same basic principle will apply.

Mr. John M. Taylor: As my hon. Friend said, this group of amendments is important. I would go so far as to say that they are pivotal. The part of clause 1 which they seek to amend essentially makes transitional provision which is necessary because of the decision that it would not be possible to implement the Law Commission's recommendations for existing leases. That decision was based partly on the need to avoid considerable damage to confidence in the property market and to investments held by such investors as pensions funds, unit trusts and the like, with which not only bigger concerns but many individuals' fortunes are bound up.

12.45 pm

The decision was also based on the principle that agreements freely entered into should be interfered with as little as possible. That principle underlies the detailed approach to defining a new tenancy. Had the definition simply stated that a new tenancy was one granted after commencement of the legislation, it would have ignored the fact that in a significant number of cases the essential agreement that should not be interfered with was entered into before commencement. In the case of new tenancies granted pursuant to court order, the court order is analogous to the concluded agreement. I support the amendments.

Lords amendment agreed to.

Lords amendments Nos. 6 and 7 agreed to.

Clause 2

COVENANTS TO WHICH THE ACT APPLIES

Lords amendment: No. 8, in page 2, line 2, after ("disposals);") insert—

("( ) paragraph 1 of Schedule 6A to that Act (covenants requiring redemption of landlord's share);")

Mr. Thurnham: I beg to move, That this House doth agree with the Lords in the said amendment.

Mr. Deputy Speaker: With this, it will be convenient to discuss Lords amendment No. 9.

Mr. Thurnham: The amendments are very technical and can be explained briefly. The part of clause 2 which is amended—as recommended by the Law Commission—excepts from the operation of the Act certain covenants entered into by tenants of local authorities who exercise their right to buy, to prevent them from making unjustified profits from an early sale so that they will continue to be bound by those covenants notwithstanding the new regime.

Lords amendments Nos. 8 and 9 make the necessary provision for excepting from the Act a further such covenant which was not picked up in the first draft of the Bill.

Mr. John M. Taylor: As my hon. Friend said, amendments Nos. 8 and 9 are entirely technical. I hope that the House will accept them as such.

Lords amendment agreed to.

Lords amendments Nos. 9 to 11 agreed to.

Clause 6

PROCEDURE FOR SEEKING RELEASE FROM A COVENANT UNDER SECTION 4 OR 5

Lords amendment: No. 12, in page 3, line 29, leave out ("before") and insert

("either before or within the period of four weeks beginning with the date of")

Mr. Thurnham: I beg to move, That this House doth agree with the Lords in the said amendment.

Mr. Deputy Speaker: With this, it will be convenient to discuss also Lords amendments Nos. 13 to 15, 17 to 22, 24 to 27 and 68.

Mr. Thurnham: These amendments refine certain procedures under the Act involving notices so that they will operate better in practice. The first amendment introduces changes to clause 6 of the Bill as it left this House. As my hon. Friend the Parliamentary Secretary, Lord Chancellor's Department, mentioned earlier, it was a major plank of the Law Commission's recommendations that landlords under new tenancies should not be released automatically from the burdens and benefits of the landlord covenants of the tenancy, but would be so released under a procedure involving service of a notice on the tenant, giving the tenant the opportunity to argue

that it would not be reasonable for the landlord to be released. Provision to that effect is set out in clauses 4 and 5 of the Bill as it left the House, which have now become clauses 6 and 7 in the amended version. Those clauses have not been amended, and the principle underlying them has been accepted.

Clause 6 of the Bill as it left this House, which is clause 8 as amended, makes provision for that notice procedure. The original draft provided for the landlord to serve the notice on the tenant before the assignment from which he sought to be released and for the tenant to have four weeks from service of the notice to object to the landlord's being released. The landlord is to be released, as from the date of assignment, if there is no objection within four weeks or if there is an objection but the court declares it to be reasonable for the landlord to be released.

Amendments Nos. 12 to 15 make practical changes to the procedure as set out in the Bill. Those changes go hand in hand with amendments to clauses 8 and 9, which, as my hon. Friend the Minister mentioned, provide for apportionment of liability under certain covenants between assignor and assignee to become binding on the other party to the lease if a similar notice procedure is gone through. Since the changes are of just as much benefit for the apportionment notice procedure, amendments Nos. 24 to 27 to clause 9 simply carry through the approach of the amendments to clause 6. Amendments Nos. 17 to 22 make changes to the wording of clause 8, which are necessary to pave the way for the amendments to clause 9.

The first of the practical changes is brought about by amendment No. 12, which removes the requirement that the notice be served before the assignment and allows it to be served before or up to four weeks after it. Amendment No. 13 adds wording to reflect the fact that the notice may be served after assignment.

The second practical change is to provide for the tenant to be able to say that he has no objection and thereby to short-circuit the process, rather than requiring the landlord to wait for four weeks before he knows that he is released in a case in which the tenant is unconcerned. The tenant is also allowed to withdraw a notice of objection at any time. Amendments Nos. 14 and 15 effect that change.

Clause 9 provides for an essentially identical notice procedure for the ability to make an apportionment agreement binding in this way, as opposed to the procedure, and a number of small changes to the wording of clause 8 are necessary to reflect the fact that notices will be able to be served after assignment as well as before.

Clause 8 makes provision cover cases of assignment of part only of a landlord's or tenant's interest, where there is an "unattributable" covenant, as my hon. Friend the Minister described. In such a case, it will be necessary for the assignor and the assignee to apportion liability between themselves. The clause provides that such an agreement can be made binding on the other party to the lease through the notice procedure provided for in clause 9. It is essentially the same as the procedure provided for under clause 6 and amendments Nos. 24 to 27 make the same provision for the procedure in clause 9 as amendments Nos. 12 to 15 for clause 6.

Amendments Nos. 17 to 22 are technical and carry out some minor changes to the wording of clause 8 to reflect the changes in clause 9.

Finally, amendment No. 68 is consequential on the fact that the recipient of a notice under these procedures will have new options other than objecting or saying nothing and it requires the notice to tell the recipient what the options are.

Mr. John M. Taylor: Once more, these amendments are a good example of how reviewing the Bill with a fresh eye has brought dividends in provisions that will improve its practical operation. The amendments are entirely consistent with the Law Commission's underlying policy and it is in agreement with them.

Originally, it was intended only to make the change enabling the recipient of a notice to indicate agreement so as to shorten matters. As part of the review process, however, it was questioned whether it was necessary for the notice to be served before the assignment in question when, particularly in the case of notices by landlords under clause 6, there might be practical benefits to the person serving the notice in allowing it to be done for a limited period after the assignment.

There are cases in which confidentiality is very important to the landlord when he assigns, so he cannot afford to make his negotiations public by serving notices before assignment. The tenant has no control over the assignment and will be interested only in whether the new landlord is a secure prospect, such that it is not unreasonable for the assigning landlord to be released. In those circumstances, it was decided that it would not be to the tenant's disadvantage if the notice were not served until after the assignment. As part of that process, it became apparent that no purpose would be served by having the matter go to court if the recipient of the notice were to register his objection and then change his mind. So provision was added enabling an objection to be withdrawn at any time.

Taken together, the amendments will enable the parties to save trouble and expense and will minimise interference with commercial confidentiality. It may assist the House if I add a brief word about notices for the purposes of the Bill generally. Notices under clauses 6, 9 and 13 are to be in a form prescribed by statutory instrument, which will tell the recipient in clear and simple language what the notice is about and what may be done in response. That reflects the Law Commissions' recommendation that the notices should be in a standard and informative form because of their importance to the recipient.

The sanction for failing to serve a notice in the prescribed form will be that the notice is ineffective for its purpose. It is not, however, intended that the server of the notice should be thus penalised for minor departures from the prescribed form. It is intended that the prescribed forms are as simple and therefore as easy to use as possible.

Lords amendment agreed to.

Lords amendments Nos. 13 to 30 agreed to.

Clause 12

TENANT GUARANTEEING PERFORMANCE OF COVENANT BY ASSIGNEE

Lords amendment: No. 31, in page 6, line 25, after first ("a") insert ("tenant")

Mr. Thurnham: I beg to move, That this House doth agree with the Lords in the said amendment.

Mr. Deputy Speaker: With this, it will be convenient to discuss also Lords amendments Nos. 32 to 36.

This important group of amendments revises and refines the operation of clause 12 as it left this House. That clause deals with the Law Commission's recommendation that when a tenant under a new tenancy is released on assignment in accordance with clause 3, it should nevertheless be possible for the landlord, as a condition of the licence to assign, to ask the tenant to guarantee performance of the tenant covenants of the tenancy by his immediate assignee, but no more.

Two important propositions must be implemented effectively by the clause: the proposition that the outgoing tenant should guarantee performance by his successor; and the proposition that the guarantee should cover no more than that. Clause 12 in the original draft set out to give workable effect to those propositions but came in for criticism that it failed to do so effectively. The amendments seek to ensure that the clause is fully effective.

In considering this clause, it should be borne in mind that a landlord will be able to seek a guarantee from an outgoing tenant only if the lease gives the landlord control over an assignment because, in the absence of such control, the lease will be freely assignable by the tenant under general principles without the need to refer to the landlord. Control will arise either by way of an absolute covenant against assignment, which bans it all together, in which case the landlord will be free to demand such a guarantee as the price for waiving the ban, or by providing assignment only with the landlord's consent.

Subsections (1) to (3) of the clause cover those propositions with only minor technical amendments. The remainder of the clause covers the limits on such an authorised guarantee agreement, as the Bill terms it, and the provisions which the landlord can seek to include in it to ensure its effectiveness for his purposes.

The amendments strike the balance between ensuring that the guarantee is effective when the landlord most needs it and ensuring that it cannot be used as a device for subverting the main reform by retaining the effective privity of contract liability once the assignee has assigned.

Amendment No. 31 is entirely technical and inserts the word "tenant" in subsection (1) of clause 12 to make it absolutely clear that it is only tenant covenants, the performance of which may be guaranteed. Amendment No. 32 removes words from subsection (2) consequential on the later amendments, which make the limits of an authorised guarantee agreement absolutely clear. Amendment No. 33 makes it clear that the guarantee will not be effective unless it complies with the new clearer provision introduced by the later amendments.

Amendment No. 34 will simply introduce words to subsection (3) to make it clear that there is no question of an authorised guarantee agreement arising unless the lease contains some form of covenant against assignment.

Amendments Nos. 35 and 36 carry out wholesale revision of the latter part of the clause and are extremely important because without them it could not safely be said that the clause properly gives effect to the two necessary propositions that I outlined earlier.

1 pm

Amendment No. 35 deletes the greater part of subsection (4) and replaces that deleted with clearer and more all-embracing provisions setting the limit for an authorised guarantee agreement, and subject to that what such an agreement may include to ensure that it is effective in the circumstances when it will be most needed.

Any provision that is aimed at tying in the outgoing tenant to any kind of liability that is in any way referable to the lease he has assigned will, regardless of its terms, be of no effect once the assignee himself is released by reason of his having assigned. That deals with the proposition that the guarantee should cover no more than the performance of the tenant covenants by the assignee.

Any such provisions will not be void ab initio, however. That is of importance for the new subsection (4A), which will be inserted by the amendment. It deals with the proposition that the guarantee should effectively cover performance by the assignee.

The problem for landlords is that the strict technical rules relating to guarantees generally will result in the guarantor of a tenant being discharged if the tenant becomes insolvent and the lease is then disclaimed by the receiver or trustee in bankruptcy. That is just when the landlord needs the guarantee the most.

The law in general permits several ways around this difficulty, such as provisions whereby the guarantor agrees to take on the liability of a sole or principal debtor that is not discharged in the circumstances, or agrees to take on a new lease replacing the residues of the disclaimed lease. The new subsection expressly permits these devices to enable landlords to ensure that the guarantee remains effective when most needed. That is subject, however, to the general limitation inserted in subsection (4). The effect is that the devices will be available if the assignee becomes insolvent and the lease is disclaimed before he assigns, but will cease to have any effect once the assignee signs and is released in accordance with clause 3.

Amendment No. 36 completes the revision of clause 12 by introducing two new subsections to cover the position of excluded assignments and the position where a tenant who entered into an authorised guaranteed agreement becomes tenant again under the operation of that agreement. In relation to excluded assignments, where a tenant who made an excluded assignment and therefore remains bound is released on the next assignment, he may, in effect, be asked by the landlord to give the guarantee that he would have been asked to give if his assignment had not been an excluded one and had been effective to release him.

The position depends on whether the tenant making the next assignment enters into an authorised guarantee agreement. If he does, the landlord will be able to require the tenant who made the excluded assignment also to enter into an authorised guarantee agreement on terms corresponding to those of the assigning tenant's agreement so that they guarantee the next tenant jointly.

The tenant who entered into an authorised guarantee agreement may become tenant again either by taking back the assigned lease on a disclaimer following his assignee's insolvency or by entering into a new lease under the authorised guarantee arrangement. In those circumstances, when a tenant next assigns, it will be possible to enter

into another authorised guarantee agreement. While this might at first blush seem onerous for a tenant whose assignee is weak, it is entirely appropriate because the failed assignee will have been the tenant's choice. It may have been only the prospect of the authorised guarantee agreement that persuaded the landlord to consent to the assignee.

Mr. John M. Taylor: Once again, I am grateful to my hon. Friend the Member for Bolton, North-East (Mr. Thurnham) for his full and clear explanation of these important amendments. The authorised guarantee agreement is a crucial pillar of the Law Commission's recommendations. These amendments are accordingly very important and I commend them to the House.

I should like to explain a matter that arises from amendment No. 36, on which a little concern was expressed in another place. It is the possibility of a landlord being able to require a tenant who made an excluded assignment to enter into an authorised guarantee agreement when the person to whom the excluded assignment was made himself assigns the lease. That is entirely appropriate, because the person to whom the excluded assignment was made may be someone to whom the landlord could reasonably have objected. To allow release without the possibility of an authorised guarantee agreement might enable tenants to escape liabilities that it would be entirely reasonable for them to retain.

The point on which concern was expressed related to the position of charity trustees. Consequential on amendment No. 36, the first schedule to the Bill will make a consequential amendment to the Trustee Act 1925 which will prevent the possibility of an authorised guarantee agreement in such circumstances bedeviling the administration of estates or trusts and will deal with the concerns that were expressed about charity trustees.

Lords amendment agreed to.

Lords amendments Nos. 32 to 36 agreed to.

Clause 13

RESTRICTION ON LIABILITY OF FORMER TENANT FOR RENT OR SERVICE CHARGE

Lords amendment: No. 37, in page 7, line 14, after first ("a") insert ("tenant")

Mr. Thurnham: I beg to move, That this House doth agree with the Lords in the said amendment.

Mr. Deputy Speaker: With this, it will be convenient to discuss also Lords amendments Nos. 38, 40 to 56, 69 to 72, 75 and 79.

Mr. Thurnham: Clause 13 applies to both new and existing leases and makes provision to ensure that former tenants who are still under liability in relation to a lease which they have assigned should be given notice within a fixed period of any arrears that become due and which they may find themselves having to pay. The liability may arise because of privity of contract liability or an excluded assignment or an authorised guarantee agreement. This "problem notice" will alert a former tenant to his potential liability and will enable him to make provision against the liability rather than as at present leaving him living in blissful ignorance until he is suddenly presented with a bill which might cover a long period of arrears.

When the Bill left the House it fixed the period at nine months but, as I have said, one of the elements in the agreed package of additional changes involves the reduction of that period to six months. There is an amendment to accord with the commitment to the House to table amendments to give effect to that package. There is a dauntingly large number of amendments to the clause. To some extent, that reflects the clause's importance as a measure to assist former tenants and as the springboard for the variations and overriding lease clauses. It is also the result of a large number of minor technical amendments which are necessary to follow through a single change, which I shall now explain.

The essence of the six-months rule, as it has now become, is that the landlord should serve notice of sums which arise under the lease as fixed or liquidated sums. That is because it is too difficult and onerous for the landlord to attempt to do that for matters such as dilapidations, which by their nature are difficult to quantify as they arise. The wording of the clause as it left the House limited it to rent and service charges, but it has been amended to recognise that there are other such liquidated sums whose amount will be fixed as they fall due—for example, specified payments for each fixed period that the tenant is in breach of a particular covenant. There is no reason why the former tenant should not have notice of such sums as well as notice of rent and service charges.

No fewer than 11 amendments in the group relate to that change. Amendments Nos. 38, 40 to 42, 49, 51, 53, 54 and 56 provide that instead of referring to "rent or service charge" the clause refers to a "fixed charge", which is defined as covering rent, service charges corresponding to the well-settled definition in the Landlord and Tenant Act 1985, and sums payable as liquidated amounts in the event of breach of a covenant. Amendment No. 37 does for this clause what amendment No. 31 does for clause 12, making it clear that tenant-only covenants are covered.

When the Bill left this House, clause 13 did not deal at all with the question of interest on the sum which is due. Amendment No. 45 rectifies that omission so that the former tenant will be given some warning of the fact that interest is accruing on a sum due, so that he can take that into account in making provision to meet his potential liability.

Although that is of course of benefit to the tenant, it is necessary to avoid placing too onerous a burden on the landlord, who is accordingly not expected to calculate the interest accrued and keep updating it for the former tenant's benefit. Rather the amendment requires the landlord simply to warn the former tenant in the notice of the fact that interest is accruing and the terms on which it is accruing. That simple warning will ensure that he is able to recover the interest should he sue the former tenant in due course, while giving the former tenant sufficient information to assess his likely liability and make provision accordingly.

The remaining amendments also insert provision consistent with the policy underlying the six-month rule, but simply not dealt with in the original draft. It was accepted as part of the property industry package that the protection of the six-months rule should be extended not only to former tenants, but to their guarantors, who are just as exposed and likely to suffer from a sudden and unexpected demand payment covering a long period of arrears as former tenants.

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Furthermore, if no provision were made for guarantors, it would be open to a landlord to sue a former tenant's guarantor for payments that the landlord could not recover from the tenant, not because the tenant could not meet the payment, but because the landlord simply did not bother to serve notice on the tenant, and found it easier to sue the guarantor because no notice was required. I am sure that the House will agree that such a possibility would be most unfair and would tend to defeat the whole object of the six-month rule.

Amendment No. 46 accordingly plugs that gap with a new subsection (2A), making the same provision for guarantors as subsection (2) makes for former tenants. Amendments Nos. 48 and 50 consequentially ensure that references in subsection (3) to subsection (2) are amended so that they refer also to the new subsection (2A).

Amendment No. 47 follows through by expressly applying to guarantors as well to former tenants. That amendment inserts a new subsection to make good another omission, this time to assist landlords in the task of serving notice. It is possible that the landlord may in good faith have served on a former tenant a "problem notice" specifying a particular sum, but that, for reasons outside the landlord's control and not due to any carelessness on his part, the sum due is determined to be greater, but is not so determined until after the six months is up.

For example, there might be a rent review outstanding at the time that the landlord serves the notice, which subsequently determines the rent to be higher on a backdated basis, but that does not occur until more than six months after the rent payment due. It would not be fair for a landlord in such a position who had not made a mistake through carelessness in specifying the sum, to be unable to recover the difference between the sum in the notice and the higher sum that the determination entitled him to.

The amendment makes provision enabling the landlord to preserve his right to recover the difference in such cases by serving a supplementary notice within three months of the final determination. To ensure that the tenant is not taken by surprise, the landlord is required to give warning in the original notice that the liability is subject to the possibility of upward determination in that way, and only if he does so will he be able to recover the difference in the circumstances outlined.

I have mentioned the fact that clause 13 acts as a springboard for the variations and overriding lease clauses, and those clauses make reference to authorised guarantee agreements and new tenancies, which in the original draft were defined only for the purposes of clause 13. Amendment No. 52 accordingly removes the definition of "authorised guarantee agreement" in subsection (4) of clause 13, and amendment No. 75 reproduces it as a general definition for the whole Bill in clause 19, which becomes clause 28 as amended. Amendment No. 55 and amendment No. 79 do the same thing for the definition of "new tenancy".

Finally, there are a number of amendments to clause 18 of the Bill as it left the House—clause 27 as now amended—which are consequential on the changes to clause 13. Clause 18 makes provision for notices that are required to be served under the Act, and in particular specifies certain matters that the notice must contain and provides that notices not substantially in the prescribed form will not be effective. Amendment No. 69 extends to "problem notices" under clause 13 the requirement already applicable to notices under clauses 6 and 9 for the notice to include an explanation of its significance to the former tenant or guarantor. It is clearly important for the former tenant or guarantor to have it spelled out to him that the notice preserves the landlord's right to sue for the sum stated and interest if appropriate, and that is arguably more important than for the recipient of a notice under clauses 6 or 9.

Amendments Nos. 70 and 71 extend to problem notices under clause 13 the sanction of ineffectiveness that is applicable to notices under clauses 6 and 9 which are not substantially in the prescribed form. Amendment No. 72, which is entirely technical, removes a limitation in a reference to clause 13 which has become inappropriate in the light of the amendments to that clause.

1.15 pm

Mr. John M. Taylor: Once again, my hon. Friend the Member for Bolton, North-East has fully and clearly explained a complex network of detailed and technical amendments and I am most grateful to him. I commend the amendments to the House and wish only to add a little extra detail concerning the service of notices.

As I mentioned earlier, the form of notices will be prescribed by statutory instrument and the intention will be to make the notices as clear and as simple as possible, both so that the recipient can understand at a glance what the notice is about, what it means for him and what he can do, and so that complying with the requirement to serve a notice substantially in the prescribed form is as simple for the serving party as it can reasonably be, without sacrificing the objective of getting the information to the recipient.

It has been asked in some quarters whether the six-months rule will require the landlord to serve a notice within six months of each time the particular payment falls due, or whether a single notice the first time rent is not paid on time would preserve the landlord's right to sue for that and all subsequent unpaid instalments.

I wish to take this opportunity to state that, in my view, the wording of the clause clearly has the former effect, and that that is the intended effect. The most a landlord will actually be required to do is to serve a notice within six months of each instalment of a fixed charge becoming due. For example, to preserve the right to sue for a full year's rent, two notices a year will be required. That can hardly be said to be excessively onerous. There may, of course, be other fixed charges that fall due on different dates, so that a landlord who took a scattergun approach might end up serving numerous notices. However, even in those circumstances the burden is unlikely to be significant.

The advantages for the tenant are clear. He will have, in effect, a continuing report on the state of play and if he receives a series of notices indicating that a series of instalments of rent are unpaid, he will be in a position to realise that action may be called for on his part.

Another question that has been raised concerns service and the question of former tenants whose present address is unknown to the landlord. It has been suggested that in such a case the landlord may be unable to find out where to serve the notice until it is too late and may thus lose

the right to enforce against the former tenant. In fact, clause 18 borrows the well-settled provisions of section 23 of the Landlord and Tenant Act 1927, which were borrowed by the Landlord and Tenant Act 1954 in the same way and have been applied for the purposes of that Act for more than 40 years. It permits service by registered post to the last known abode of the intended recipient of the notice. It will be a matter for a prudent tenant or guarantor who moves to ensure that the landlord has an up-to-date address for the service of notices, otherwise the tenant will risk the possibility of the landlord fulfilling his duty and preserving his right to sue by serving on the last known address, but the tenant not actually seeing the notice.

As a final practical point, it should be borne in mind that, if a tenant has disappeared so completely that there is no known address for service, it will be in any event extremely difficult, if not impossible, to locate him for the purposes of enforcing a liability. I beg to support the amendments.

Lords amendment agreed to.

Lords amendments Nos. 38 to 59 agreed to.

New clause

Lords amendment: No. 60, after clause 14, to insert the following new clause—*Imposition of conditions regulating giving of landlord's consent to assignments*—

. After subsection (1) of section 19 of the Landlord and Tenant Act 1927 (provisions as to covenants not to assign etc. without licence or consent) there shall be inserted—

"(1A) Where the landlord and the tenant under a qualifying lease have entered into an agreement specifying for the purposes of this subsection—

(a) any circumstances in which the landlord may withhold his licence or consent to an assignment of the demised premises or any part of them, or

(b) any conditions subject to which any such licence or consent may be granted,

then the landlord—

(i) shall not be regarded as unreasonably withholding his licence or consent to any such assignment if he withholds it on the ground (and it is the case) that any such circumstances exist, and

(ii) if he gives any such licence or consent subject to any such conditions, shall not be regarded as giving it subject to unreasonable conditions;

and section 1 of the Landlord and Tenant Act 1988 (qualified duty to consent to assignment etc.) shall have effect subject to the provisions of this subsection.

(1B) Subsection (1A) of this section applies to such an agreement as is mentioned in that subsection—

(a) whether it is contained in the lease or not, and

(b) whether it is made at the time when the lease is granted or at any other time falling before the application for the landlord's licence or consent is made.

(1C) Subsection (1A) shall not, however, apply to any such agreement to the extent that any circumstances or conditions specified in it are framed by reference to any matter falling to be determined by the landlord or by any other person for the purposes of the agreement, unless under the terms of the agreement—

(a) that person's power to determine that matter is required to be exercised reasonably, or

(b) the tenant is given an unrestricted right to have any such determination reviewed by a person independent of both landlord and tenant whose identity is ascertainable by reference to the agreement,

and in the latter case the agreement provides for the determination made by any such independent person on the review to be conclusive as to the matter in question.

(1D) In its application to a qualifying lease, subsection (1)(b) of this section shall not have effect in relation to any assignment of the lease.

(1E) In subsections (1A) and (1D) of this section—

(a) "qualifying lease" means any lease which is a new tenancy for the purposes of section 1 of the Landlord and Tenant (Covenants) Act 1995 other than a residential lease, namely a lease by which a building or part of a building is let wholly or mainly as a single private residence; and

(b) references to assignment include parting with possession on assignment."")

Mr. Thurnham: I beg to move, That this House doth agree with the Lords in the said amendment.

This amendment is the single most important amendment made in the other place. It has already been referred to by the hon. Members for Norwood (Mr. Fraser) and the hon. Member for Brent, South (Mr. Boateng). It is not going too far to say that this amendment provided the momentum that has got the Bill so close to the statute book and which, I fervently hope, will take it all the way there.

The amendment, as was said in the other place, represents the essence of the compromise, and the basis of the agreement between differing interests in the property industry which has enabled the Bill to get this far. It was on the basis of a specific commitment to making amendments in the other place to give effect to that agreement that the Bill was allowed to pass that House. I am pleased to say that with this amendment, that commitment is fulfilled.

Throughout the passage of the Bill, it has been clearly stated that it could not reach the statute book without agreement. I firmly believe that the agreement represented by the amendment is realistic and balances the competing interests and objectives in a way that has already enabled it to be supported by both sides in both Houses and with the eloquently expressed blessing of the Opposition Front Bench in another place.

Hon. Members will appreciate from my explanation of previous amendments, that while this amendment is the backbone of the property industry agreement, the agreement goes far beyond simply trading landlord support for the Bill for greater control of over assignment. As a result of the agreement, tenants have the prospect of several additional measures of real benefit to those liable under existing leases.

Some explanation of the amendment's progress will help the House. The amendment appeared twice in another place. It was first moved in Committee when it was debated but withdrawn in response to a well-argued plea for time to consider it in more detail. After mature consideration, the amendment was moved again on Report, when it met with support from both sides. Full and compelling reasons for accepting it were given by Lord Irvine of Lairg.

I should make it clear that the arguments in favour of the amendment, while they are compelling in the case of commercial leases, do not apply to residential or

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agricultural leases. The amendment does not apply to those leases, although such leases will benefit from all the other provisions of the Bill.

It should also be made clear that, because the purpose of the amendment is to ensure that investment strength can be maintained notwithstanding the loss of privity of contract which buttresses it at present, it will apply only to new leases. It will affect only assignment, leaving the law relating to underletting and so on untouched.

The background has been explained in detail both in this House and in another place, but I believe that restatement is justified. An earlier attempt to implement the Law Commission's recommendations, as accepted by the Government, failed because it did not contain provision to the effect of this amendment, which is crucial to the success of the present attempt.

Landlords were not satisfied that current law governing their ability to control assignments could be relied upon to protect their interests under the new regime without privity of contract. Their fear, which I considered to be well founded, was that, whereas at present they have a sound head covenant, on the basis of which investment can be attracted, under the new regime they would be left with assignees of steadily declining covenant strength and no other recourse. Investment prospects and confidence would decline accordingly.

The reason for that is that, where a lease contains a qualified covenant against assignment—one which permits the tenant to assign only with the landlord's consent—section 19(1) of the Landlord and Tenant Act 1927 provides that the landlord be required not to withhold his consent unreasonably. Without the fallback of privity of contract, the landlord's safeguard in vetting prospective assignees of the lease becomes crucial to the maintenance of the investment value of the landlord's interest.

The historic approach of the courts, however, has led landlords to believe that any extra controls which it might in commercial terms be reasonable for them to impose in new leases to preserve investment strength would nevertheless be struck down by the courts as unreasonable in the context of section 19. Given the need for certainty in property investment, tenants have been able to see that such fears and uncertainties might drive landlords to wholesale adoption of absolute covenants against assignment, or banning assignment altogether in new leases so that tenants would have to underlet or submit to the landlord's absolute discretion as the only way out.

The amendment provides a middle way, making it less likely that landlords will ban assignments completely if they are allowed to define what they require of an assignee. Providing a middle way also makes it more likely that conditions will be properly tailored to the lease in question because, while it will be possible for landlords to insist on stringent conditions, they will need to think carefully before doing so in leases that are long enough to contain a rent review.

A landlord who insists on driving a hard bargain may well find that others with comparable property have been more relaxed and have to accept a lower rent on review. Without the middle way, it would be more likely that all landlords would see little alternative but to ban assignments, so there would be no differentiation on review.

Considerable effort has been expended to meet the challenge of doing as much as necessary to give landlords the security required to underpin investment and development while not straying any further from the spirit of section 19 of the Landlord and Tenant Act 1927 than is needed to secure that objective. The amendment introduces a new clause which amends section 19 of that Act to increase the possibility of landlords' control over assignment compared to qualified covenants against assignment under the existing law, but short of allowing sole discretion to the landlord a landlord. A landlord who still requires complete control and is prepared to take the consequences in terms of lower rental values on rent review will of course still be able to seek an absolute covenant against assignment.

The solution finally agreed and accepted, and supported in this place and—after mature consideration—in another place, is that it should be possible for the parties to a lease containing a qualified or fully qualified covenant against assignment to agree between them the criteria that should govern the question whether the landlord would consent to any assignment and that those criteria should not be susceptible to being overturned by a court on the grounds that they, or the landlord's refusal based on the tenant's failure to fulfil them, are unreasonable.

As I said, immense effort has been expended to ensure that the change does only what is necessary to enable the parties to preset the criteria for assignment without fear of their being void for unreasonableness while otherwise retaining, as far as possible, the effect of section 19 and the effect of the Landlord and Tenant Act 1988 which builds on it. The parties will not simply be able to sidestep section 19 altogether so as to place the decision whether to consent to assignment in the landlord's undefined discretion as that is no more than an absolute covenant against assignment in disguise.

The amendment inserts five new subsections after subsection (1) of section 19 of the 1927 Act. The main provision is the new subsection (1A) which specifically enables the landlord and tenant to enter into an agreement to govern assignment. The landlord and tenant are to be able in such an agreement to specify the terms or conditions on which the landlord will grant or withhold consent.

Where conditions are pre-agreed in that way, the landlord is not to be taken to be refusing consent unreasonably if he does so on the ground that the conditions have not been met. If it is in dispute whether the conditions have been met, it will be for the landlord to show that they have not, just as at present he has to show that he is not withholding consent unreasonably. Furthermore, for the purposes of the Landlord and Tenant Act 1988, if he gives consent subject to a condition that was pre-agreed in that way, he is not to be taken as giving consent subject to an unreasonable condition.

1.30 pm

Section 19 of the 1927 Act and the provisions of the Landlord and Tenant Act 1988 which build on it, will not thereby be rendered completely ineffective, and they will continue to have effect—as they do at present—to the extent that pre-agreed conditions are not exhaustive. Therefore, if the tenant fulfils all the specified conditions, but the landlord is still dissatisfied with the assignee and wishes to withhold consent, the landlord will have to show that, in so withholding consent, he is not being unreasonable.

The landlord will still have to fulfil duties under the 1988 Act to consent, or to give reasons for withholding consent, within a reasonable time. Landlords will thus have the security of knowing that they can set out specific requirements as to matters such as the assignee's business and financial status to ensure that the assignee is a sufficiently secure prospect for the landlord's investment to be safeguarded without having to go so far as an absolute covenant against assignment.

New subsection (1B) allows the agreement to be in the lease or in any other instrument, for example a side letter representing parallel negotiations to those for the lease, and allows it to be at the time of the lease or at any other time. It will, of course, most often be the case that the agreement forms part of the lease or, as I have said, a parallel matter which is part of the same package. There will also, however, be cases where the parties will wish to enter into an agreement at another time to reflect changing conditions. I should add that the agreement must have been entered into before the tenant actually applies to the landlord for consent to assign.

New subsection (1C) makes provision for a different condition from those that I have been discussing so far. I have dealt with conditions that require definite objectively verifiable facts to exist when numerous conditions must cumulatively be satisfied, but, when taken together, indicate clearly what type of assignee will be acceptable. Such a condition might be that a prospective assignee should have net profits before tax in the most recent accounts of three times the rent, or perhaps that the rest of the building in question has been and remains let.

Subsection (1C), on the other hand, is aimed at those cases in which the landlord wishes to reserve some final discretion or judgment as to the suitability of the assignee, notwithstanding that a series of specific conditions is fulfilled. It would not do simply to allow the landlord to agree with the tenant a condition reserving the final determination to the landlord, or indeed to another person who might be the landlord's associate, as that would reproduce the effect of an absolute covenant against assignment in a disguised form.

Conditions which inherently or expressly depend on the landlord's or any other person's determination, and therefore his discretion, judgment or opinion rather than being objectively proved, will survive only if one of two conditions is met. Those conditions are that the terms of the agreement provide either that the determination, if disputed, may be referred to an independent person or that the element of judgment rests with the landlord and that the landlord has committed himself to exercise it reasonably. For example, that would allow for matters which of their nature require an opinion or judgment to be formed capable of conclusive resolution by an independent expert, thus balancing the need in some cases for an element of judgment or discretion against the need for certainty.

New subsection (1D) deals with new building leases. Under section 19(1)(b) of the 1927 Act, unless the landlord imposes an absolute covenant against assignment in such a lease, he cannot stop the tenant assigning without consent more than seven years before the end of the term, no matter what the terms of the lease may otherwise say. With the removal of the privity of contract liability for new leases, that complete lack of control over assignment cannot be justified for building leases, so the new subsection ensures that new building leases are to be no different from new commercial leases generally in respect of assignment.

New subsection (1E) makes it clear that, as I have said, the changes do not apply to residential leases. They will not apply to agricultural leases in any event, as section 19 does not apply to such leases, which have always been subject to a different regime for assignment. The new subsection also covers the fact that a covenant against parting with possession may be broken in a number of ways, of which assignment is one. It ensures that, in the case of such a covenant, assignment is covered by the new provisions but the other ways of parting with possession are not.

I realise that I have spoken for some time on a single amendment, but I hope that the House will accept that its vital importance justified that.

Mr. John M. Taylor: I am grateful to my hon. Friend the Member for Bolton, North-East for his comprehensive explanation of this crucial amendment. I appreciate that this element of the agreed package of changes will result in a certain shift in the balance of power, but I am firmly convinced that it represents a necessary and sensible compromise which, when taken in the round, can be seen to do the greatest amount of good for the greatest number and to enable it to be done in the shortest possible time.

Some reservations have been expressed about the effect of this element of the property industry agreement. The Law Commission had reservations, and expressed them eloquently, but accepted that the reform could make its way to the statute book only by agreement, and that this element opened the way to that necessary agreement. The commission's commitment to implementing that reform, notwithstanding its reservations, cannot be doubted, and I believe that its attitude is right.

As I said in a previous debate on the Bill, there were initial reservations in the Government on the basis that the smaller commercial tenants, in particular, could not clearly be said to have had their say. It was for that reason that it was thought appropriate to consult on the package. The response indicated that all sides of the property industry supported the compromise, and a notable feature was the number of respondents who praised the compromise as a realistic way forward and urged prompt action to put it into effect.

I have before me a letter, dated 7 July, from the chief executive of the Forum of Private Business, Mr. Mendham. With commendable worldliness and wisdom, he writes:

> "This Bill represents a compromise, but one which represents a significant advance on the present position. Not only does the Bill abolish privity for future leases, but also significantly improves the equity of existing leases. The Bill has the strong support of business tenants. When questioned by FPB over 72 per cent. of tenants supported the Bill with less than 15 per cent. opposed."

That is very encouraging. My hon. Friend and I, and, indeed, the Government, are grateful to the Forum of Private Business for its research and information.

The amendment received support from all quarters in another place—not simply because it was presented as a property industry agreement, but on the basis of mature consideration of its operation in practice, and the prospects for tenants and landlords if the reform reached the statute book in its present form. I believe that the

[Mr. John M. Taylor]

assessment of the amendment in the other place hit the nail on the head, and I commend it to the House.

Lords amendment agreed to.

Lords amendments Nos. 61 to 63 agreed to.

Clause 16

AGREEMENT VOID IF IT RESTRICTS OPERATION OF THE ACT

Lords amendment: No. 63, in page 8, line 41, leave out ("or modify") and insert (", modify or otherwise frustrate")

Mr. Thurnham: I beg to move, That this House doth agree with the Lords in the said amendment.

Mr. Deputy Speaker: With this, it will be convenient to discuss also Lords amendments Nos. 64 to 67.

Mr. Thurnham: The amendments are technical, and they revise and refine the provisions of clause 16 as it left this House. The amendments are important, as they contain anti-avoidance provision to stop the reforms simply being circumvented. The amendments do not change the approach of the original provision or the approach recommended by the Law Commission, but refine the provisions so that they are properly effective. They will also prevent arguments to the effect that they outlaw certain other matters which the Act elsewhere envisages being permitted.

The Law Commission, aware of the boundless ingenuity of those in the property industry, recommended provision in general terms to catch any device aimed at subverting the Act. Subsection (1) contains the principal provision which is, in accordance with that recommendation, in general and all-embracing terms.

Amendments Nos. 63 and 64 amend the wording of subsection (1) to ensure that it is sufficiently all-embracing to catch various devices which might be attempted as ways of circumventing the Act. Amendment No. 65 deletes subsection (2) of clause 16 as it left the House. The subsection makes cross-reference to provisions which authorise and guarantee the agreements, and it is necessary to delete it to make way for a revised and refined provision to similar effect which is made by amendment No. 67.

Amendment No. 67 inserts a new subsection after subsection (3) which makes it clear that an agreement is not outlawed to the extent that it is an authorised guarantee agreement, but that anything in an authorised guarantee agreement which falls foul of subsection (4) of clause 12 as amended is void to the extent that it does so.

Amendment No. 66 deletes subsection (3) of clause 16 as it left this House, and replaces it with a revised and refined version. The subsection was originally inserted to reflect concerns that it might be argued that absolute or qualified covenants against assignment amounted to provisions which would modify the operation of the Act as far as release on assignment is concerned, which would therefore be held to be void. The new subsection makes it clear that such a covenant against assignment is not void by reason of this clause, but goes on to make clearer than the original draft that any conditions which might be attached to consent or required to be fulfilled before consent is given would not survive scrutiny under this clause if they were such as to subvert the operation of the Act.

Mr. John M. Taylor: As my hon. Friend has said, the amendments are technical and I do not propose to detain the House for any length. However, there are two points on which it would assist the House if I offered a brief explanation, since questions have been asked in some quarters. First, it has been suggested in some quarters that subsection (1)—both in its original form and as amended—might render void any agreement between parties to a lease that certain covenants should be expressed to be of limited duration, such as—to take an obvious example—a time-limited undertaking.

This is argued on the basis that such limitation would modify the operation of the provisions providing for an assigner to be released on assignment. I wish to reiterate what was said in another place on this matter—that that will not be the case, since time-limited covenants, once the period has expired, will not be covenants which bind the assignor immediately before assignment. It is thus not possible to say that the limited duration in any way falls foul of clause 16.

The second point demonstrates the ingenuity to which my hon. Friend referred. It is suggested that an avoidance device for landlords might be to abuse the provisions concerning excluded assignments by insisting that tenants cannot assign but must instead sublet for a longer term than the tenant's own term. It is argued that this will take effect not as a sub-letting but as an assignment by operation of law so that the tenant will not be released and neither will any of his assignees.

The degree of lateral thinking in that suggestion is remarkable, but this is precisely the sort of device at which clause 16 is aimed. The point was in the minds of those who produced the provisions in question. Such a device would be a clear sham aimed at subverting the effect of the Act. I am sure that the courts will be quick to spot such shams as the Act is tested and to strike them down.

Lords amendment agreed to.

Lords amendments Nos. 64 to 72 agreed to.

Clause 19

INTERPRETATION

Lords amendment: No. 73, in page 10, line 5, at end insert ("(unless the context otherwise requires)")

1.45 pm

Mr. Thurnham: I beg to move, That this House doth agree with the Lords in the said amendment.

Mr. Deputy Speaker: With this, it will be convenient to discuss also Lords amendments Nos. 76 to 78 and 80 to 84.

Mr. Thurnham: Again, these amendments are technical and in the main consequential on changes made earlier in the Bill. They amend clause 19 of the Bill as it left this House, which sets out definitions and provisions for interpretation of the Bill as a whole. A number of them fall to be revised and some additional ones are added.

Lords amendment No. 37 inserts a general provision which qualifies the entire list of definitions so that they do not apply if the context otherwise requires. That enables the definitions to be simpler and clearer.

Lords amendment No. 76 clarifies the term "collateral agreement", which has an important place in the amendments which provide the framework for transmission of covenants to give effect to the Law Commission's recommendations. In particular, the amendment makes it clear that a collateral agreement may be entered into after the creation of the tenancy and need not be contemporaneous with it.

Lords amendment No. 77 makes it clear that the term "covenant" is to encompass matters contained in collateral agreements, which is in accordance with the Law Commission scheme.

Lords amendment No. 78 provides, for the avoidance of doubt, a definition of "landlord" and "tenant" for the purposes of the whole Bill. Lords amendment No. 80 restores wording which was originally recommended by the Law Commission that had been excluded from the Bill as it left this House. The reinserted wording excludes a mortgage term from the definition of tenancy for the purposes of the Bill. That is because it remains possible for there to be a mortgage by demise, and because it is inappropriate for there to be any question of the Bill's provisions applying to any such mortgage.

Lords amendments Nos. 81 and 82 deal with covenants to pay money such as a service charge in cases in which only part of a person's interest is assigned. A money covenant will not generally be attributable to one part or another of the property, so that it will be necessary for the assignor and assignee to agree an apportionment of liability. However, there are exceptional circumstances in which such a covenant is specifically attributable so that apportionment is not necessary. These are defined in subsection 3 of clause 19, which becomes clause 27 as now amended. The amendments provide new wording to make it clearer that subsection 3 deals with an exception and to make the application of the exception clearer.

Lords amendment No. 83 extends the definition of landlord and tenant for the purposes of the Bill to put beyond doubt a point which emerged during revision of the Bill and consideration of clause 10. It covers the possibility of joint landlords or tenants and makes it clear that any reference to the landlord or tenant means all those who jointly constitute the landlord or tenant, as the case may be. Clause 10 was intended to cover persons who had failed to secure release, their assignees and the like. It was not intended to cover joint tenants or landlords. The amendment ensures that clause 10 will, as intended, have no application as between joint tenants or landlords.

Lords amendment No. 84 covers certain cases such as sale via mortgagee, where the landlord's or tenant's interest changes hands, but does not do so by the landlord's or tenant's action or automatically by operation of law. Such a transfer is to be treated as an assignment by the landlord or tenant as appropriate, so that the assignor will be released and the assignee bound and so forth in accordance with the relevant provisions of the Act.

Mr. John M. Taylor: As my hon. Friend said, this group of amendments is technical, but I am grateful to him for his explanation and do not think that I can add anything. Once again, I commend the amendments to the House.

Lords amendment agreed to.

Lords amendments Nos. 74 to 84 agreed to.

Clause 21

REPEALS AND CONSEQUENTIAL AMENDMENTS

Lords amendment: No. 85, in page 11, line 1, at beginning insert—

("(1ZA) The enactments specified in Schedule (*Consequential amendments*) are amended in accordance with that Schedule, the amendments being consequential on the provisions of this Act.")

Mr. Thurnham: I beg to move, That this House doth agree with the Lords in the said amendments.

Mr. Deputy Speaker: With this, it will be convenient to discuss also Lords amendments Nos. 86, 87 and 89.

Mr. Thurnham: This is the final group of amendments. Once more, they are technical amendments, some of which have already been touched on, so I shall be brief.

Clause 21, which becomes clause 30 as amended, provides for appeals and consequential amendments. It will, I think, come as no surprise to hear that the detailed revision of the Bill has resulted in there being more consequential amendments than before and in some rearrangement of those already in clause 21.

Amendment No. 85 paves the way for the rest. It provides for a new schedule of consequential amendments and amendment No. 86 deletes the consequential amendments in subsection (2) of clause 21, since those are moved to that schedule. Amendment No. 87 makes consequential changes to the references in subsection (3) of clause 21.

Finally, amendment No. 89 introduces the new schedule of consequential amendments, which contains, in particular, consequential amendments to the Landlord and Tenant Act 1954 and the Trustee Act 1925, to which reference has already been made.

I am grateful to the House for listening to me for such a long time. I hope that hon. Members will agree that it was worth it.

Mr. John M. Taylor: My hon. Friend's explanation of this final group of technical amendments has been as helpful as all his earlier explanations, and I am grateful for his hard work today. I commend these amendments and the Bill to the House.

As our work comes towards a conclusion I must say that I have been privileged to take part in bringing this legislation to the statute book and to ending the unfairness of the privity rule in landlord and tenant legislation. Many years ago—longer ago than I would care to confess—I studied the law of landlord and tenant as a young law student, although I never really mastered it, and encountered the operation of the doctrines of privity of contract and of estate. As a young man, I thought them profoundly unfair.

I then practised for more than 20 years as a provincial high street solicitor and used to warn those of my clients who were about to sign commercial leases, frequently for lock-up shops, of the operation of this rule. I used to

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reflect with them on how unfair I thought it was but they must know about it and accept its operation with their eyes open and with every care and vigilance.

Having seen the rule as a student and worked with it as a practitioner of the law, I find myself at the Dispatch Box as a legislator, or a junior member of the Government, preparing to give the rule of privity the coup de grace. I hope that the House will forgive me if I take a certain pleasure in being in this place at this time doing this thing.

Some of those with an interest in the commencement date of these provisions may be within earshot. The commencement date is no trivial matter because a whole industry with its advising professions will have to come to terms with this change in the law. Many learned articles will have to be written, read and disputed, seminars held and lectures given before the profession and the industries involved—the property, pension and retail industries—come to terms with one of the most important changes in English property law since 1925. This country's commerce is very much about property law and always has been. In 1925 great changes took place under the auspices of that remarkable man, Lord Birkenhead.

I am about to take the lid off the jar and say when I think that commencement might be. It is a matter for the Lord Chancellor who has an order-making power in this regard, but I believe that the commencement date will be 1 January 1996, which, fittingly, will be the 70th anniversary of the Birkenhead legislation.

Mr. Thurnham: I thank you, Mr. Deputy Speaker, and through you I thank Madam Speaker, for the opportunity to bring this Bill to the House and, I hope, to the statute book.

Today is a red letter day and 1 January 1996 will obviously be the most important day on which many small businesses and shop keepers will be released from the fear that their landlords may pursue them for many years afterwards. I am grateful to have had the opportunity to bring a Bill, which was not lucky in the ballot, to a successful conclusion.

Lords amendment agreed to.

Lords amendments Nos. 86 to 89 agreed to.

Civil Rights (Disabled Persons) Bill

As amended (in the Standing Committee), considered.

1.56 pm

Mr. Harry Barnes (Derbyshire, North-East): On a point of order, Mr. Deputy Speaker. May I refer you to the statement that Madam Speaker made on 24 January when the Government were introducing the Disability Discrimination Bill. She pointed out that there was a problem about whether the Civil Rights (Disabled Persons) Bill and the Disability Discrimination Bill covered similar ground and said that, if so, there would be difficulties in allowing the second Bill to proceed. It was ruled that the Bills were sufficiently dissimilar to allow the second Bill, the Civil Rights (Disabled Persons) Bill, to proceed.

May I refer you, Mr. Deputy Speaker, to page 469 of "Erskine May" on new clauses? On the possibility of clauses being ruled out because they clash with clauses in a different Bill, it says:

"Similarly a new clause offered at the consideration stage of one bill was ruled out of order when it substantially repeated the provisions of another bill of the same session, the consideration stage of which had been adjourned."

New clause 1, which we are about to deal with, is sufficiently similar to clause 7 of the Disability Discrimination Bill to create that problem. Furthermore, other new clauses that we shall discuss in the first batch deal with the Secretary of State taking over the role of the disability rights commission. Those are in line with the Government's Bill, which is now before the other place. The problem crops up in later clauses, too. Should not a number of the clauses currently before us be removed on the ground that they form part of the Disability Discrimination Bill?

Mr. Deputy Speaker (Sir Geoffrey Lofthouse): Madam Speaker has selected the new clauses and amendments for debate. I have no doubt that in doing so she took careful account of the sort of problems that the hon. Gentleman has mentioned. We shall now proceed with the Bill.

New clause 1

EXEMPTION FOR SMALL BUSINESSES

'.—(1) Nothing in Part III applies in relation to an employer who has fewer than 20 employees.

(2) The Secretary of State may by order amend subsection (1) by substituting a different number (not greater than 20) for the number for the time being specified there.'.—*[Mr. Burt.]*

Brought up, and read the First time.

The Minister for Social Security and Disabled People (Mr. Alistair Burt): I beg to move, That the clause be read a Second time.

Mr. Deputy Speaker: With this, it will be convenient to discuss the following: New clause 2—*Codes of practice prepared by the Secretary of State—*

'.—(1) The Secretary of State may issue Codes of Practice containing such practical guidance as he considers appropriate with a view to—

(a) eliminating discrimination against disabled persons in the field of employment; or

(b) encouraging good practice in relation to the employment of disabled persons.

(2) The Secretary of State may from time to time revise the whole or any part of a Code and re-issue it.

(3) Without prejudice to subsection (1), a Code may include practical guidance as to—

(a) the circumstances in which it would be reasonable, having regard in particular to the costs involved, for an employer to be expected to make accommodation in favour of a disabled person; or

(b) what steps it is reasonably practicable for employers to take for the purpose of preventing their employees from doing, in the course of their employment, anything which is made unlawful by this Act.

(4) A failure on the part of any person to observe any provision of a Code does not of itself make that person liable to any proceedings.

(5) A Code is admissible in evidence in any proceedings under this Act before an industrial tribunal, a county court or a sheriff court.

(6) If any provision of a Code appears to a tribunal or court to be relevant to any question arising in any proceedings under this Act, it shall be taken into account in determining that question.

(7) In this section and section *(Further provision about Codes issued under section (Codes of practice prepared by the Secretary of State))* "Code" means a Code issued by the Secretary of State under this section and includes a Code which has been revised and re-issued.'.

New clause 3—*Further provision about Codes issued under section (Codes of practice prepared by the Secretary of State)*—

'.—(1) In preparing a draft of any Code under section *(Codes of practice prepared by the Secretary of State)*, the Secretary of State shall consult such organisations representing the interests of employers or of disabled persons in, or seeking, employment as he considers appropriate.

(2) Where the Secretary of State proposes to issue a Code, he shall publish a draft of it, consider any representations that are made to him about the draft and, if he thinks it appropriate, modify his proposals in the light of any of those representations.

(3) If the Secretary of State decides to proceed with a proposed Code, he shall lay a draft of it before each House of Parliament.

(4) If, within the 40-day period, either House resolves not to approve the draft, the Secretary of State shall take no further steps in relation to the proposed Code.

(5) If no such resolution is made within the 40-day period, the Secretary of State shall issue the Code in the form of his draft.

(6) The Code shall come into force on such date as the Secretary of State may appoint by order.

(7) Subsection (4) does not prevent a new draft of the proposed Code from being laid before Parliament.

(8) The Secretary of State may by order revoke a Code.

(9) In this section "40-day period", in relation to the draft of a proposed Code, means—

(a) if the draft is laid before one House on a day later than the day on which it is laid before the other House, the period of 40 days beginning with the later of the two days, and

(b) in any other case, the period of 40 days beginning with the day on which the draft is laid before each House,

no account being taken of any period during which Parliament is dissolved or prorogued or during which both Houses are adjourned for more than four days.'.

New clause 6—*Appointment by Secretary of State of advisers*—

'.—(1) The Secretary of State may appoint such persons as he thinks fit to advise or assist him in connection with matters relating to the employment of disabled persons.

(2) Persons may be appointed by the Secretary of State to act generally or in relation to a particular area or locality.

(3) The Secretary of State may pay to any person appointed under this section such allowances and compensation for loss of earnings as he considers appropriate.

(4) The approval of the Treasury is required for any payment under this section.

(5) In subsection (1) "employment" includes self-employment.

(6) The Secretary of State may by order repeal section 17 of the Disabled Persons (Employment) Act 1944 (national advisory council and local advisory committees).'.

New clause 7—*Amendment of Disabled Persons (Employment) Act 1944*—

'.—(1) Section 15 of the Disabled Persons (Employment) Act 1944 (which gives the Secretary of State power to make arrangements for the provision of supported employment) is amended as set out in subsections (2) to (5).

(2) In subsection (1)—

(a) for "persons registered as handicapped by disablement" substitute "disabled persons";

(b) for "their disablement" substitute "their disability"; and

(c) for "are not subject to disablement" substitute "do not have a disability".

(3) In subsection (2), for the words from "any of one or more companies" to "so required and prohibited" substitute "any company, association or body".

(4) After subsection (2) insert—

"(2A) The only kind of company which the Minister himself may form in exercising his powers under this section is a company which is—

(a) required by its constitution to apply its profits, if any, or other income in promoting its objects; and

(b) prohibited by its constitution from paying any dividend to its members."

(5) After subsection (5) insert—

"(5A) For the purposes of this section—

(a) a person is a disabled person if he is a disabled person for the purposes of the Civil Rights (Disabled Persons) Act 1995; and

(b) "disability" has the same meaning as in that Act."

(6) The provisions of section 16 (preference to be given under section 15 of that Act to ex-service men and women) shall become subsection (1) of that section and at the end insert—

"and whose disability is due to that service.

(2) For the purposes of subsection (1) of this section, a disabled person's disability shall be treated as due to service of a particular kind only in such circumstances as may be prescribed."

(7) The following provisions of the Act of 1944 shall cease to have effect—

(a) section 1 (definition of "disabled person");

(b) sections 6 to 8 (the register of disabled persons);

(c) sections 9 to 11 (obligations on employers with substantial staffs to employ a quota of registered persons);

(d) section 12 (the designated employment scheme for persons registered as handicapped by disablement);

(e) section 13 (interpretation of provisions repealed by this Act);

(f) section 14 (records to be kept by employers);

(g) section 19 (proceedings in relation to offences); and

(h) section 21 (application of Act as respects place of employment, and nationality).

(8) Any provision of subordinate legislation in which "disabled person" is defined by reference to the Act of 1944 shall be construed as if that expression had the same meaning as in this Act.

(9) Subsection (8) does not prevent the further amendment of any such provision by subordinate legislation.'.

New clause 8—*Government appointments outside Part III*—

'.—(1) Subject to regulations under subsection (3), this section applies to any appointment made by a Minister of the Crown or government department to an office or post where Part III does not apply in relation to the appointment.

(2) In making the appointment, and in making arrangements for determining to whom the office or post should be offered, the Minister of the Crown or government department shall not act in a way which would contravene Part III if he or the department were the employer for the purposes of this Act.

(3) Regulations may provide for this section not to apply to such appointments as may be prescribed.'.

Amendment No. 12, in clause 1, page 1, line 17, after 'below' insert

'or issued under section *(Codes of practice prepared by the Secretary of State)* below'.

Amendment No. 43, in clause 4, page 4, line 32, leave out

'in relation to any employment'.

Amendment No. 60, in page 5, line 26, at end insert—

'(2A) Subsection (1) does not apply to any term, condition or privilege of employment comprising the provision of a benefit by the employer if the employer is concerned with the provision (whether or not for payment) of benefits of that description to the public, or to a section of the public which includes the employee in question, unless—

(a) that provision differs in a material respect from the provision of the benefits by the employer to his employees; or

(b) the provision of the benefits to the employee in question is regulated by his contract of employment; or

(c) the benefits relate to training.

(2B) In subsection (2A) "benefits" includes facilities and services.'.

Amendment No. 68, in page 6, line 2, at end insert—

'(5C) Nothing in this section imposes any duty on an employer in relation to a disabled person if the employer does not know, and could not reasonably be expected to know that the disabled person concerned—

(a) is, or may be, an applicant for the employment; or

(b) has a disability.'.

Amendment No. 69, in page 6, line 2, at end insert—

'(5D) Subject to the provisions of this section, nothing in this Part is to be taken to require an employer to treat a disabled person more favourably than he treats or would treat others.'.

Amendment No. 70, in page 6, line 2, at end insert—

'(5E) This section does not apply to employment in any such occupation as may be prescribed by regulations.'.

Amendment No. 108, in clause 28, page 14, line 39, at end insert—

'( ) For the purposes of subsection (2)—

(a) where an unlawful act of discrimination is attributable to a term in a contract, that act is to be treated as extending throughout the duration of the contract;

(b) any act extending over a period shall be treated as having been committed at the end of that period; and

(c) a deliberate omission shall be treated as having been committed when the person in question decided upon it.

( ) In the absence of evidence establishing the contrary, a person shall be taken for the purposes of this paragraph to decide upon an omission—

(a) when he does an act inconsistent with doing the omitted act; or

(b) if he has done no such inconsistent act, when the period expires within which he might reasonably have been expected to do the omitted act if it was to be done.'.

Mr. Burt: Before I speak to the new clauses and amendments, perhaps I may be permitted to say a few words as the proud new Minister with the responsibilities for disabled people. I wish to stress my personal commitment to the aim of eliminating discrimination. I recognise the dedication of so many Members on both sides of the House who have worked tirelessly to help disabled people to realise the freedom and independence that they rightly deserve. I pay tribute to them all. I am pleased, therefore, to have been given the opportunity to carry the baton. I shall do all that I can to help disabled people achieve their goal.

I relish especially the prospect of shepherding home the Government's Disability Discrimination Bill when it returns from another place in the autumn and bringing forward detailed proposals for implementing its provisions from an early date.

Voluntary organisations of and for disabled people have done an enormous amount to raise the profile of disability and to heighten society's awareness. I am looking forward over the coming months to meeting the representatives of some of these organisations. I look forward especially to meeting disabled people themselves.

The first group of amendments concerns the employment provisions in the Bill. New clause 1 exempts employers with fewer than 20 employees from the requirements in part III. It also gives the Secretary of State power to reduce this figure by means of regulations. Hon. Members who have followed the debates on the Bill in Committee, and on the Government's measure, will know why we think that this exemption is so important. Small employers will not have the personnel or management resources to get to grips with the requirements of disability discrimination legislation. Where they can improve their practices, the Government will seek to persuade them to do so, but they should not be compelled.

New clauses 2 and 3, together with amendment No. 12, give the Secretary of State power to issue codes of practice on the new employment right. This is necessary to ensure that a speedy start can be made to implementing a new employment right rather than waiting for the establishment of a new independent body.

New clause 6 allows the Secretary of State to replace the National Advisory Council on the Employment of People with Disabilities—NACEPD—with a new advisory body. That is not to say that the Government have decided to abolish NACEPD. It rather indicates a desire to have a more flexible statutory framework than the current overly prescriptive framework set down in the Disabled Persons (Employment) Act 1944.

The worth of NACEPD is shown by the fact that the Government have tabled amendments to the Bill with the intention of excluding employment from the remit of Commission/Council No. 27. NACEPD has provided advice on employment and training issues for many years and possesses considerable experience and expertise. It has 18 members in all, including an independent chairman. Three members are appointed to represent workers and three to represent employers. In addition, there are 11 other members. All the members are appointed because of their knowledge and experience of employment and disability issues.

NACEPD has developed considerable expertise over the years and has high standing. It has advised Ministers, for example, on issues such as the Employment Service's code of good practice, the establishment of the network of placing, assessment and counselling teams, the disability symbol, access to work and the medical test for incapacity benefit.

Most immediately, we need NACEPD's help on issues to do with the Government's Disability Discrimination Bill, including the new employment code of practice,

relevant regulations and other detailed matters such as the future arrangements for local advice and the review of the access to work programme.

There is no need to mention training as other powers provide my right hon. Friend the Secretary of State with the power to appoint people to advise her on training matters. It would be permissible to exercise the two powers together if we wanted to cover the same broad area as NACEPD currently does but to have greater flexibility in appointing members.

Committees on the employment of people with disabilities, known as CEPD, do not have any remit when it comes to training. We shall certainly need to look at that when considering whether new local advisory arrangements are needed.

New clause 7 makes a number of important changes to the Disabled Persons (Employment) Act 1944. Chief among them is the repeal of the discredited and failed registration and quota schemes. Giving disabled people rights to fair treatment in all aspects of employment is a better solution than a quota scheme that serves only to stigmatise them.

New clause 8 should be welcomed by the Bill's supporters. It requires Ministers who are making appointments to posts that are not covered by part III to act as if they were subject to the new employment right. That would apply mainly to appointments to posts with no contract of service in which the work is not for the purposes of a Minister or a Department. Examples include certain appointments to non-governmental bodies.

Amendments Nos. 43 and 70 amend clause 4 to allow some occupations to be exempted from the employment right. That would allow occupations with particularly demanding physical requirements to be exempted. An example is the armed forces, as Baroness Hollis accepted when the question of exempt occupations was discussed in another place during consideration of the Disability Discrimination Bill.

Amendment No. 60 is technical and is designed to ensure that the employment rights in part III do not apply to a disabled employee who shops at his employer's store. In that instance he should enjoy the protection of part IV, which protects disabled people from discrimination by those providing goods and services.

Amendment No. 68 again relates to an important point. In the Bill as drafted an employer could be held to have discriminated against a disabled job applicant even though that employer did not know, and could not reasonably have been expected to know, that the person was or might be an applicant or that that person was disabled. In particular, I refer to a situation in which the employer, being unaware of the applicant's disability, fails to make available reasonable accommodation as required by clause 4.

It is simply not reasonable for an employer to be expected to make accommodation for a difficulty arising from a disability unless that employer was or should have been aware of that disability and of the likelihood of its affecting the disabled person in that way. The Bill should not require the making available of reasonable accommodation simply on the hypothetical basis that at some time in future there might be a job application from a disabled person.

The obligation to make such accommodation is confined to cases where it proves necessary to address the particular needs of a specific disabled person. To put it another way, the Government amendment is designed to ensure that an employer is not penalised simply because he or she is unaware of the relevant facts. For example, if a disabled person failed to attend for a job interview and was subsequently rejected, the employer would not be held to have acted unlawfully if there was no reason why that employer should have known at the time that the person was disabled in a way that was likely to affect his attendance. I do not wish to stray too far from the amendment, but I remind the House that under clause 5 as it stands the employer's freedom to seek information about the health or medical status of a job applicant would be severely limited. The amendment is entirely sensible.

Amendment No. 69 is intended to ensure that positive discrimination in favour of disabled people is not required by the Bill. Amendment No. 108 is technical and is aimed at the time limits for making a complaint to an industrial tribunal. It makes plain the time limit that would apply in cases where discrimination does not arise from a single discriminatory action—for example, where it stems from a term in a contract or from a failure to act, such as not promoting someone.

Our amendments are designed to make the Bill better. As hon. Members are aware, the Government believe that the House should prefer the Government's Disability Discrimination Bill. It is clear and contains a simple definition of disability that will be understood by employers, service providers and disabled people. It is flexible, has regulation-making powers and provides for consultation with all interested parties to make sure that the legislation works effectively in practice. Our Bill is fair and strikes the right balance between the legitimate concerns of business and the equally legitimate concerns and needs of disabled people.

Mr. Dennis Skinner (Bolsover): Is the Minister aware that, notwithstanding the fact that the Government introduced their own Bill after my hon. Friend the Member for Derbyshire, North-East (Mr. Barnes) introduced his, following others that had been introduced in previous Sessions, almost all the disabled organisations that I know have declared their opposition to the Government's Bill; they want my hon. Friend's Bill.

The Minister's speech is an affront to democracy, as were all those others by Tory Members who have been on their feet. We had more than four hours debate. I have been watching the monitor, and it has been occupied by the names of Tory Members and Tory Ministers for the whole morning because they want to filibuster and stop my hon. Friend getting a decent civil rights for disabled people Bill through. It is no wonder that disabled people in wheelchairs have been blocking the traffic on Whitehall. They feel affronted by the Government's Bill.

Mr. Burt: The hon. Gentleman is using the House to make his usual mischief. He knows full well that, from the very outset of this Bill, the Government made it clear that they were not prepared to accept it, and have not suggested at any time that they would allow it enough time to proceed. We are determined that the Disability Discrimination Bill that the Government have introduced, which has been built on many years of patient work by hon. Members on both sides of House, will provide an enormous advance in terms of civil discrimination legislation for disabled people.

The Bill introduced by the hon. Member for Derbyshire, North-East was never going to be able to achieve its objectives. We made it clear from the start that

[Mr. Burt]

it would not proceed. I have therefore no problems in saying that the Government's Bill will achieve its aims and objectives for the reasons that I have given: it is clear, flexible and fair, whereas, by comparison, the Civil Rights (Disabled Persons) Bill, as the hon. Member for Bolsover (Mr. Skinner) should know, is unclear, inflexible and unfair.

For those reasons, and for the best purposes of advancing legislation affecting disabled people, the Government's Bill is infinitely preferable. With the best will in the world, therefore, we shall proceed to pass that Bill in due course, with all the advantages that that will have for disabled people, but I am afraid that the Bill before us today is flawed. I have moved a series of amendments at this stage to improve this part of the Bill and, if pressed, I would have to move further amendments later. I should like to close with these amendments just now, and of course I would be willing to listen to the hon. Member for Derbyshire, North-East.

Mr. Barnes: As part of normal parliamentary pleasantry, I welcome the Minister to his new post, although I was disappointed when, in a rush at the end, he just managed to turn up. I thought that we were in for a procedural coup by which his host of amendments would not be moved. I would not have moved my amendments and we could now be into Third Reading, which is what the whole civil rights disabled movement requires.

I have, however, some sympathy with the Minister because he seems to be given all the worst jobs by the Government. He has just come away from having responsibility for Child Support Agency provision and all the difficulties around that, and now his first appearance here in his new role is to stop the Civil Rights (Disabled Persons) Bill.

The Minister said that his amendments were entitled to make the Bill a better Bill, but then, in response to my hon. Friend the Member for Bolsover (Mr. Skinner), he clearly said that that was not what they were about. They are about blocking the progress of this Bill, which the Government fundamentally disagree with. They favour instead their own measure and therefore the amendments are part of the blocking procedure that has taken place, often in Committee corridors, in quiet and not in public.

Mr. Burt: I repeat my earlier remarks. With the best will in the world, I can seek to make the hon. Gentleman's Bill better, but I cannot make it good enough because that is not possible, which is why the Government prefer their own Disability Discrimination Bill.

Mr. Barnes: The Government are not trying to make my Bill a better Bill. They persistently try to turn it into the Disability Discrimination Bill. That is why I raised a point of order about whether a problem exists in relation to the Government importing their measures entirely into my Bill. That is what new clause 1 does. It says that my Bill should not apply to firms with under 20 employees. That is part of the principle included in the Government's Bill and it makes nonsense of my Bill.

Such a proposal might work in terms of the Government's Bill because it is limited, restricted and tends to give what they see as privileges to disabled people, in some way bringing them up here and there.

Mr. Skinner: That Bill patronises disabled people.

2.15 pm

Mr. Barnes: It patronises them considerably. My Bill, however, is saying that human rights should apply to disabled people. The notion that civil rights in employment do not apply to a firm with fewer than 20 employees is nonsensical. There may be other arguments, such as reasonableness and cost—and they are contained in my Bill—but to say that whatever the circumstances in a firm, which may be a wealthy firm, employing fewer than 20 people the civil right not to be discriminated against should not operate is offensive to the principles in my Bill.

Time and again on this Bill, the Government have engaged in an ideological battle. They have an alternative position and they have tabled a set of amendments aimed at turning my Bill into their Bill, which has already made progress. Sometimes, they have tabled technical amendments—for example, the Minister referred to amendment No. 108 as being technical. We had reasonable discussions in Committee about technical amendments. Once we could get the former Minister away from the discussion of ideological matters and an attempt to turn my Bill into the Government's Bill, we made some progress.

The matters in my Bill are complex and I accept that some correction is required. For example, the Bill applies to the United Kingdom, yet in two sections it originally referred to Britain. The Government noted that and tabled amendments that I accepted. The Committee *Hansard* shows that I accepted a host of technical amendments. What I did not accept were ideological amendments based on a different Bill that has already made progress. The majority of hon. Members who served on the Committee were opposed to such ideological amendments, as are the majority of hon. Members in the House. My Bill received a Second Reading by 175 votes to nil, which shows its cross-party support—if only the Whip was taken off and hon. Members given a fair chance to decide between the principles in the two Bills.

Mr. John Austin-Walker (Woolwich): Will my hon. Friend reflect on the fact that there are no exemptions for small firms in the Sex Discrimination Act 1975 and the Race Relations Act 1976? They include the right not to be discriminated against. Will he comment on why disabled people should not have the same right?

Mr. Barnes: That matter is at the heart of the difficulty with my Bill. It would set up a disability rights commission, similar to the commissions set up under the two Acts to which my hon. Friend referred. It would be obnoxious to include in my Bill any limit on a civil right that the proposed commission is intended to safeguard. Amendments in the batch that we are discussing relate to that point.

For example, some amendments would extend the role of the Secretary of State to the production of codes of practice and they reflect exactly the Government's ideology to which I have referred. They are more to do with the Government's Bill and how it is supposed to operate. In that Bill the responsibility for the monitoring of provisions is given entirely to the Secretary of State. That would not be the case under my Bill, where the dynamic for ensuring that civil rights for disabled people become a reality—and that we do not just state general

principles—would be given to the proposed disability rights commission. The Government's second new clause would affect the commission's role.

We are debating the first of 21 sets of amendments and we need to get through all 21 sets and Third Reading within 12 minutes, in the face of implacable Government opposition. They have tabled major amendments, both in this set of amendments and in others, which ties in with their past practice. They have treated the House with utter contempt.

My Bill received its Second Reading by 175 votes to nil. We were then prevented from taking the Bill into Committee by tactics adopted by the Government in preceding Committees. When we finally got the Bill into Committee, it turned out to be the longest serving private Bill Committee for 11 years. It was stopped only because the Minister had achieved his objective of blocking us until today—the last possible practical day on which the Bill could be discussed.

The Minister should not look to that to help shield the Disability Discrimination Bill. It might get him a place in the Cabinet because one was granted to his predecessor precisely because of what he did in getting the Disability Discrimination Bill through and stopping the Civil Rights (Disabled Persons) Bill. The Minister has not got blood on the floor of House as occurred last year in respect of the Bill introduced by my hon. Friend the Member for Kingswood (Mr. Berry). That led to apologies from a Minister and another hon. Member.

Mr. Skinner: My hon. Friend referred to the Bill of my hon. Friend the Member for Kingswood (Mr. Berry), of which this Bill is a replica. The Minister said in reply to me that my hon. Friend's Bill was flawed. My hon. Friend may have heard my sedentary intervention to the effect that the Bill cannot be flawed when it has been tested in the heat of the Commons, in Committee, on Report and on Third Reading once already. Surely when it has been through the mill that many times we can assume that it is ready to be enacted.

My hon. Friend should address his remarks to the Minister's darned cheek, having just got the job—he got it because he served in the Prime Minister's campaign team—in accusing my hon. Friend of sponsoring a flawed Bill when it has been tested in the heat of battle so many times.

Mr. Barnes: This is not my Bill but that of the disability movement. I am carrying the baton for it this year. Previously, other hon. Members have dealt with it.

This is the third time that a measure that is as well tuned as this one has been introduced. The major alteration that I have made to it—to which there have never been any amendments—concerns access to polling stations. I assume that that is therefore acceptable to the Minister. Why was it not supported when a similar amendment was tabled in another place to the Government's Bill?

The amendments attempt to block the Bill and relate to matters such as employment and the role of the Secretary of State. They do not recognise that, in respect of employment, the Civil Rights (Disabled Persons) Bill is an all-embracing measure. The right for people to be treated decently and have proper access to employment that is in the Bill is also applied to refer to goods, facilities, services, premises, new constructions and polling stations. The Minister has had to table other amendments to try to undermine those provisions, though not those relating to polling stations.

If we had the time for a proper debate we would discover that the same forms of arguments would keep re-emerging. We would move on to access for shops, buildings and accommodation. The Minister would not attempt to improve the Bill, although he disagrees with it, by technical changes but try to turn it into the Disability Discrimination Bill. That should not be done now. I could understand it being done when only my Bill was before the House and the Government took a different position.

However, the Government's Bill has passed from this House to the Lords and is progressing there. Some amendments, like those that we examined earlier, will be made there which will give us a final opportunity to have our say on that Bill. His Bill is cut and dried, apart from the Lords amendments. If the Government's Bill is cut and dried, we should consider this Bill in the context of the principles that inform it because although it has been fine tuned and developed, there will be little technical bugs here and there. However, we are not going to be able to discuss the technicalities or ways to improve the Bill here and there because we are hearing the same argument over and over again. It will now be produced by the new Minister—indeed, he used it in response to my hon. Friend the Member for Bolsover (Mr. Skinner)—and was produced by the previous Minister.

New clauses have been tabled, covering codes of practice and new roles for advisers, whereas this Bill provides that the advisory body and any alterations that need to be made to it must be made in relation to the disability rights commission. The Government, however, have chosen to spend a great deal of time arranging for masses of civil servants to produce amendments. For this particular debate, they have produced 173, of which 140 or so have been selected for debate by Madam Speaker. However, of those 140 amendments, 20 at the most contain concepts that need to be considered to ensure that the Bill is not flawed. We are being denied that opportunity. Instead, we shall have to choose between the big issues and principles on which we have already voted on Second Reading and in Committee. We took many of the relevant decisions when debating the Government Bill.

The approach to be taken by the Minister, who has only just got his new job, is entirely inadequate. I feel sorry for him for being given a terrible task. The last time I saw him I was sympathising with him about the football results at Wembley because he supported Bury and I supported Chesterfield, but my sympathy then is as nothing compared with that which I feel today.

I hope that the Minister will do the honourable thing and say that all the amendments—except those which he deems to be of a technical nature, such as No. 108—will be withdrawn so that the Bill can proceed with only its technical provisions being examined. It is still possible for it to make progress. The Leader of the House should be informed of the situation and make provision for the Bill and its technical amendments to be debated properly instead being condensed into 32 or 33 minutes. Given the volume of new clauses and amendments, it is impossible for the Bill to progress at the moment.

At 2.30 pm, I shall be asked what I want to do. I shall say that I want the Bill to be considered on Monday. It will not be dealt with on Monday, but I want it to be

[Mr. Barnes]

included among the remaining orders of the day for that day and for every day thereafter. That should give the Government time to revise their position and consider whether the principles of the Bill can be discussed before any firm decision is taken with regard to the Government's Bill. That would enable us to do something honourable instead of our getting involved in the same old game time and time again—the Disability Discrimination Bill, which is being debated in another place, will come back, be squeezed into the skin of the Civil Rights (Disabled Persons) Bill and destroy my Bill in the process.

If we do not debate the principles of the Civil Rights (Disabled Persons) Bill in this Parliament, someone will pick up the Bill in the next Parliament, or someone will promote an equivalent one. All the Opposition parties are committed to such a Bill. I hope that when we finally debate the Lords amendment, even Conservative Members will vote in support of the establishment of a commission.

I now ask the Minister to withdraw the amendments that are of an ideological nature and which represent the divide between us. He has got his way and the Government Bill is making progress; I now ask him to let this Bill progress and give the House the opportunity to decide between the two.

Mr. Burt: The hon. Member for Derbyshire, North-East (Mr. Barnes) spoke with passion and conviction, as always, but he also spoke of honour. This year the Government recognised the concern expressed by many people over a long time to seek to end discrimination against disabled people. The Government took forward those concerns, picked up that baton and moved honourably and decently this year.

On Second Reading on 10 February, my right hon. Friend the Member for Richmond, Yorks (Mr. Hague), now the Secretary of State for Wales, made the Government's position clear. The Government fully support the aim of eliminating discrimination against disabled people, but they remain rightly opposed to a Bill that is unclear, inflexible and unfair.

It being half-past Two o'clock, the debate stood adjourned.

Mr. Deputy Speaker: Debate to be resumed what day?

Mr. Barnes: Monday next, Sir, and every day thereafter.

Remaining Orders of the Day

DOGS (FOULING OF LAND) BILL

As amended, considered; read the Third time, and passed.

CHARITIES (AMENDMENT) BILL

Considered; read the Third time, and passed.

WILD MAMMALS (PROTECTION) BILL

As amended, considered; read the Third time, and passed.

VALUING WOMEN'S UNWAGED WORK BILL

Order for Second Reading read.

Hon. Members: Object.

Second Reading deferred till Friday 20 October.

PROTECTION OF CALVES (EXPORT) BILL

Order for Second Reading read.

Hon. Members: Object.

Second Reading deferred till Friday 20 October.

WORKPLACE INJURY VICTIMS BILL

Order for Second Reading read.

Hon. Members: Object.

Second Reading deferred till Friday 20 October.

PROTECTION OF ANIMALS BILL

Order for Second Reading read.

Hon. Members: Object.

Second Reading deferred till Friday 20 October.

TAMPONS (SAFETY) BILL

Order for Second Reading read.

Hon. Members: Object.

Second Reading deferred till Friday 20 October.

SCHOOL TRANSPORT SAFETY BILL

Order for Second Reading read.

Hon. Members: Object.

Second Reading deferred till Friday 20 October.

SPORTS (DISCRIMINATION)(No. 2) BILL

Order for Second Reading read.

Hon. Members: Object.

Second Reading deferred till Friday 20 October.

MERCHANT SHIPPING (INQUIRIES AND INVESTIGATIONS) AMENDMENT BILL

Order for Second Reading read.

Hon. Members: Object.

Second Reading deferred till Friday 20 October.

NATURAL DISASTERS (SCOTLAND) BILL

Order for Second Reading read.

Hon. Members: Object.

Second Reading deferred till Friday 20 October.

CIVIL RIGHTS (DISABLED PERSONS)(SCOTLAND) BILL

Order for Second Reading read.

Hon. Members: Object.

Second Reading deferred till Friday 20 October.

WAR WIDOWS AND PENSIONERS (EQUAL TREATMENT) BILL

Order for Second Reading read.

Hon. Members: Object.

Second Reading deferred till Friday 20 October.

SALE OF GOODS (AMENDMENT) BILL *[Lords]*

Read a Second time.

Bill committed to a Committee of the whole House.—[*Mr. Duncan.*]

Bill immediately considered in Committee; reported, without amendment.

Bill read the Third time, and passed.

COMMONWEALTH DEVELOPMENT CORPORATION (No. 2) BILL *[Lords]*

Order for Second Reading read.

Hon. Members: Object.

Second Reading deferred till Friday 20 October.

GENEVA CONVENTIONS (AMENDMENT) BILL *[Lords]*

Read a Second time.

Bill committed to a Committee of the whole House.—[*Mrs. Roche.*]

Bill immediately considered in Committee; reported, without amendment.

Motion made, and Question, That the Bill be now read the Third time, *put forthwith pursuant to Standing Order No. 75 (Third Reading), and agreed to.*

Bill accordingly read the Third time, and passed, without amendment.

PARDON FOR SOLDIERS OF THE GREAT WAR BILL

Order for Second Reading read.

Hon. Members: Object.

Second Reading deferred till Friday 20 October.

Youth Service

Motion made, and Question proposed, That this House do now adjourn.—*[Mr. Burns.]*

2.40 pm

Mr. Simon Hughes (Southwark and Bermondsey): It is rare to take part in item 47 of the day's business, and it is a good thing that some of the other items did not take too long. I am glad to be given the opportunity to raise—not for the first time in my 12-plus years in the House—the state of the youth service.

I welcome the Under-Secretary to his place, although I gather that he is deputising for his newly appointed colleague who has joined the merged Department from the Department of Employment and has the youth service as one of his responsibilities. I, for one, welcome the merger of the two Departments, as a move in the right direction. I have reservations about the youth service's role in that Department, and I shall start by flagging up a traditional failure of the Government in that respect.

Before I arrived on the planet—although I think that you were here, Mr. Deputy Speaker—the Education Act 1944 went through Parliament. *[Interruption.]* You were not here in Parliament, Mr. Deputy Speaker, but you were on the planet, whereas I was far from even being planned. There was a discussion at that time of the role that the youth service should have within the education service. The reality is that the status of the youth service has remained the same since then, although attempts have been made to amend education legislation to strengthen it.

The Government's wording is that the youth service exists to

"promote the planned personal and social education of young people aged 11-25".

The youth service is responsible for that part of the educational provision that is not obligatory or core school provision—it provides the non-school alternative, but it is also a supplement and a complement. Large numbers of young people take advantage of the service. Figures show that about 20 per cent. of young people aged between 13 and 19 are currently participating in the youth service, and about 60 per cent. of young people at some stage make use of the youth service. That adds up to a figure of about 2. 7 million. Up and down the country—whether in local authority youth clubs or in the voluntary sector—the youth service is busy supporting, developing and securing young people's progress from childhood into adulthood, and supplying them with many of the personal skills that they would not learn elsewhere.

I have some knowledge of the subject. Two things drove me into politics, and moving to Southwark was the cause of both of them. One was the incompetence of the Greater London council in housing people around Burgess park as it developed, while the other was the lack of opportunity for young people in inner south London. I found myself—not for the first or last time—working as a youth leader in a youth club, and I saw how valuable the youth service was in playing a part in the triangle of home, formal education and the world.

Young people can learn many things at home, but home is not the place where they want to be doing the learning. For many, it is not school either. Of course, they both have their role, but the place where young people can most effectively develop is somewhere where they can be with their peer group, where they feel that they are not there under compulsion, where they are not under parental authority and where they can develop their skills in a structured way that responds to their needs. That work has been so well carried out by so many for about 50 years.

The first comment that I put to the Minister to pass on to his colleague concerns ministerial responsibilities. Even after the latest Government reshuffle, they have failed to do some important Government reordering. I hope that even the Conservative Government see this as a good idea that should be implemented before the next election, even though, by doing so, they would steal yet another bit of clothing from the Liberal Democrats in terms of policy.

On the Government Front Bench for the previous debate, we saw the new Minister for Social Security and Disabled People. Over several Administrations, the Government have accepted that there is a case for a Minister based in one Department having general responsibility for issues of concern to disabled people. It would give great encouragement and reassurance, and it would be an effective step, if the Government created a Minister for youth.

I do not argue for a separate Department—that is not credible—but I argue for a Minister with particular responsibility for young people, logically based in the Department for Education and Employment, with a unit of civil servants to back him up. The Minister would be heard as the voice for young people in Government. He could make sure that all Departments across the spectrum responded to the concerns of young people. He could provide a place to which young people could come to express their concerns. Ministers responsible for the youth service have sometimes been not merely not high profile but so low profile that one hardly knew that there was one. We really must beef up the way in which the Government are seen to support young people in general and the youth service in particular.

The second comment that I put to the Minister is that there is a good case for changing the 1944 legislation and giving greater statutory security to the work that the youth service does. Of course one can argue that the youth service is different in character and style from the formal education that young people have to go through. The Government have just announced the extension of education to four-year-olds. We welcome that. It will eventually come to three-year-olds. It will be available to all. The youth service is available to all, but it would feel more secure if it were on a statutory basis.

To put the youth service on a statutory basis is not enough. There is a third hugely important element. On Wednesday this week, there was a lobby of this place by young people in the youth service and youth workers, organised by the Community and Youth Workers Union. It had been organised for weeks. There was a rally at Central hall. The hon. Member for Liverpool, Walton (Mr. Kilfoyle) introduced a ten-minute Bill, which I support, to put the youth service on a statutory basis.

The issue at the forefront of the minds of people who took part in the lobby was not that they wanted a statutory service, although youth workers and many of us who know the arguments would argue for that. The issue was the huge cuts that they have seen in the budget of the youth service, particularly in urban areas. They wanted more financial security. One of the arguments in favour of a greater level of security for the youth service is that it would provide greater security of funding. That point

bridges on to my third point. We really must do more to provide financial long-term security for not only the youth service provided by local education authorities but that provided by other agencies in the voluntary sector.

The Government have been criticised, and there is much public concern, about the relative cuts in the education budget for next year. My colleagues and I have made no bones about the fact that, as a party, we are still committed to an extra £2 billion on education expenditure, even if it means increasing income tax by a penny in the pound. The youth service is one service that needs more money, especially in areas where that has been cut, because of its important work for and with that age group.

A few weeks ago, I visited Dorset to investigate youth service provision. Excellent, out-of-school youth education is undertaken in Weymouth and other places in that rural county. I know of the hugely important role that organised, non-formal education plays in urban Britain, such as in Bradford, where there have been disturbances recently and Luton, which is slightly less urban. It plays a role in managing, challenging and developing the energies of young people and ensuring that, rather than feeling marginalised and alienated, they feel that they have a role to play.

In a country with very high unemployment, a high incidence of absence of skills among young people and a huge sense of alienation, the youth service plays a vital role. Feelings of alienation from the political process are probably as great as ever among young white men, let alone among young white women and young non-white men and women. One criticism of the service is that it is seen as a palliative for dealing with youth crime. Most crime is committed by young people, but it is normally committed by young people on young people.

Happily, the fear of crime is worse than the reality, and we must try to reassure older people on that point. It is also true, however, that although the youth service does not exist to keep young people off the streets and from turning into criminals, in reality, it is far more likely that young people will become involved in criminal activity if their time is not occupied profitably, particularly if they do not have a job or a skill.

The Government do not accept the direct correlation between unemployment and crime. They do not accept the Coopers and Lybrand report results and conclusions. However, it is the general view of those who work in education and the youth service and of parents and the police that there are links. The higher the unemployment and deprivation and the poorer the training, the more likely it is that young people will become involved in criminal activity. In urban areas, therefore, a really effective youth service, which will channel and develop young people separately, is even more important.

Towards the end of last month, the Government made an announcement about the future of the National Youth Agency—a quango that they set up a few years ago to take overall responsibility for channelling funds and backing up the youth service. It was feared that the agency might disappear, but it has not. The Government announced that they wanted to change its status and it will continue, but not as a quango. I hope that the Minister will consider this point.

There are several months before the response to the report is concluded and the real danger of that proposal, which is in general welcome, is that it will allow the Government to wash their hands more cleanly of the youth service and to tell local authorities that it is up to them, if they want to fund that general organisation to service them, to do so. If the Government get rid of capping later this year, as I have a hunch that they will, local authority budgets will be strapped and the Government must take a lead. They must state the importance of the youth service and say that the non-formal education of young people, to give them skills, abilities and self-esteem, should continue.

I urge the Government to continue to take an interest in the National Youth Agency, and to consider greater funding for the youth service, statutory and voluntary. It is much more cost-effective to do so. For example, the cost per young person in the youth service is much less than the cost of one crime committed by a young person. Indeed, it is not even comparable. I also urge the Government to look again at whether they could secure the youth service in order to guarantee the delivery of the product by legislative requirement.

Finally—I hope that this will be the most seriously pursued—I urge the Government to provide a voice in Government for young people and their services before the next general election. They have done it for disabled people and it could be done with merit for young people. The youth service would then be the direct responsibility of the Minister concerned and the profile of both the youth service and young people would be raised.

I hope that I have put the case in a non-confrontational and positive way. Hundreds of thousands of people feel that the youth service is hugely valuable. They look to the Government to make it much clearer that the Government share that view.

2.55 pm

The Parliamentary Under-Secretary of State for Schools (Mr. Robin Squire): As the hon. Member for Southwark and Bermondsey (Mr. Hughes) said, I am standing in for the Under-Secretary of State for Education and Employment, my hon. Friend the Member for Cambridgeshire, South-East (Mr. Paice), who is responsible for the youth service. I welcome the tone in which the hon. Member for Southwark and Bermondsey delivered his speech and I will ensure that all his comments are brought to the attention of my hon. Friend the Minister as it is right and proper that he should consider them in depth.

While it is not a normal thing for a Minister to do in responding to an Adjournment debate, this morning I made two trips to the hon. Gentleman's constituency. I should hastily explain that I was travelling to and from the Prime Minister's launch of the sports initiative in Millwall. I shall not strain your patience, Mr. Deputy Speaker, by speaking at length about that initiative this afternoon. I hope that the hon. Gentleman will join me in recognising that its implications for young people in encouraging a wider take-up of sport are significant and read across some of the subjects that he raised.

I also pay tribute to the hon. Gentleman—I hope that he is not too embarrassed by a second tribute—to the long interest that he has taken in youth matters, both before he came to the House and during his parliamentary career. I think that I am right in saying—the hon. Gentleman will appreciate that after a time one's memory fades—that in 1979-80 I sponsored the Youth Service Bill. So certain issues tend to recur from time to time.

[Mr. Robin Squire]

I noted the concerns of the youth workers who took part in the lobby of Parliament on 12 July, as did my hon. Friend the Minister responsible. The hon. Gentleman mentioned the merger between the Department for Education and the Department of Employment. It is an exciting merger. Clearly, these are very early days but, in time, the merger will impact across the entire age range in the country. If one had to give the age range that would, in time, logically benefit most from that merger, I suspect that it is the 14 to 19 age range. Significant attention will no doubt be paid to that age range in the next few years and I trust that that will have important benefits for young people.

Just a month ago, the Minister formerly responsible for the youth service, my hon. Friend the Member for Daventry (Mr. Boswell), now Parliamentary Secretary to the Ministry of Agriculture, Fisheries and Food, reaffirmed the Government's support for the youth service in his speech at the Keele conference on partnership in the delivery and management of the youth service. We are happy to support the partnership between local authorities and the voluntary sector, which are the main providers. Increasingly, however, central Government and outside agencies are dealing with young people.

The Department has an enabling role in relation to the youth service, discharged principally through the National Youth Agency. It directs funding to local education authorities under the "Grants for Education, Support and Training" programme and funds more than 60 national voluntary organisations. Total funding this year will be well over £8 million. Our support for the voluntary sector recognises its role as a key player in the youth service. As a mark of that continuing commitment, a further three-year scheme of grants has been approved to take over from the present scheme when it comes to an end next March.

Our plans for the future of the National Youth Agency were recently announced by my predecessor. It is clear from the review of the NYA that its status and accountability needed to change. It needed to reflect its true position as a body primarily supporting local youth services. Its locally focused work has assumed a much greater significance than was expected when it was first established. It is right that it should become accountable to local providers for that work.

We shall be giving local authorities a major stake in the agency's future. We shall shortly be transferring £1.1 million to them to fund and manage the agency's work in support of local voluntary and statutory youth services. That will be an excellent opportunity for them. Local authorities are examining the arrangements for the future status of the agency. We are confident that they will make good use of the funds transferred so that the NYA continues to support local youth services.

We have made it clear to local authority associations that new arrangements for the agency should reflect the important role of the voluntary youth service sector. We anticipate that support for both the LEA sector as well the voluntary sector will be strengthened by the changes. We are taking steps to ensure that the quality of training received by youth workers is enhanced. We are continuing funding for the agency's work in overseeing the quality of youth work training. That funding will be included in the sum that we are transferring to local authorities, and this should give them the opportunity to take a longer-term view of appropriate qualifications for youth workers. They will also need to take into account the possible development in this area of national vocational qualifications.

The hon. Gentleman referred to the speech made earlier in the week by the hon. Member for Liverpool, Walton (Mr. Kilfoyle) in support of his ten-minute Bill. The Bill was sponsored by Labour Members but I think that I am right in saying that it has the support of the Liberal Democrat party. I am entitled to ask, "What would the Bill achieve for the youth service?" My answer is, very little. The legal basis for the youth service, if it was in doubt, is not in doubt now. The Education Acts of 1944 and 1992 already place a duty on local education authorities to secure the provision of a youth service. That was relatively recently confirmed by the courts. The courts recognised that each LEA is allowed considerable discretion in how it delivers the service. In fairness, as in a range of other services, there are variations in the nature of the service delivered.

That leads me to the funding and delivery of the youth service. As I have said, it is a matter for each LEA to set its own priorities within its resources. It is not for central Government to determine how local authorities should spend their money. I submit that the local authorities would not want it otherwise. I note claims that LEAs' youth service budgets have been affected by tight local authority spending settlements. As I think everyone in the House knows, the settlement for the current year represented a 1.1 per cent. increase over 1994-95.

There have been scare stories in the past about the effect of past grant settlements on the youth service that have turned out not to be true. Let us consider briefly the trends. Levels of funding in individual authorities can vary from year to year. Let us take a slightly longer view. Between 1990-91 and 1993-94, expenditure on the youth service increased by 13 per cent. in cash terms and 1 per cent. in real terms. That is not the only money that LEAs receive. The youth service also benefits from the single regeneration budget, as it did from the programmes that the SRB replaced.

As a fellow London Member, I would be aware of concerns that the hon. Gentleman would have about funding in the London area. Transitional funding by the Department for the voluntary youth service will come to an end in March 1996 after six years. It was originally intended to run for three years to help voluntary organisations to adjust to funding after the abolition of the ILEA. Obviously, the grant cannot go on indefinitely. The voluntary youth service in London must now look to the London boroughs and the London boroughs grants committee for support.

The funding of the youth service in London local education authorities is still much higher per capita compared with the rest of the country. For example, for young people aged 13 to 19 years the inner London boroughs spend about two and a half times the national average on their youth service. It is interesting to consider the demands in the light of the recent survey by the Office of Population Censuses and Surveys on youth service participation. The Department commissioned that survey, which estimates that the youth service reached 63 per cent. of young people in the 13 to 19 age group at some time in their lives. That is about 2.7 million young people, which is a significant number.

Participation in the youth service is highest among 11 to 15-year-olds, at 31 per cent., and declines sharply after the age of 17. Only 4 per cent. of 18 to 25-year-olds take part in youth service activities. The survey shows that the youth service has to compete with young people's leisure activities and with other organised activities and pursuits. There is no clear evidence that a lack of facilities has caused a decline in participation.

The Government have encouraged participation in the youth service through the youth action scheme. A total of £10 million has been spent over three years on 60 projects in 28 LEAs to develop new kinds of provision for young people who are not normally attracted to the traditional youth service. As the hon. Member for Southwark and Bermondsey said, some of them may be at risk of drifting into crime. Young people will have the opportunity to learn to take responsibility for themselves and to make informed choices for the future. A number of innovative and successful approaches have been developed and good work was reported in a recent Ofsted report. The scheme is being evaluated and a report will be presented in August 1996.

The hon. Member for Southwark and Bermondsey mentioned disturbances last weekend in Luton and more recently in Leeds. The evidence from similar disturbances in the past has not demonstrated that they have been caused or exacerbated by a lack of facilities. Bedfordshire's expenditure on its youth service has increased substantially in recent years—by 15 per cent. in real terms between 1990-91 and 1993-94.

There is a philosophical flavour to this, but my experience, which may be shared by the hon. Gentleman, is that most of those who claim that they have nothing to do have nothing up top. They have chosen to ignore masses of books, places to visit, physical activities, recreational pursuits, self improvement and a wide range of activities that many other people have discovered and which many more will discover in future. Those who claim that it is simply a matter of providing more facilities have not got to the heart of the problem. I do not accuse the hon. Gentleman of taking that view.

We recognise that a good education is not just academic achievement: it is also about encouraging good citizenship and a community spirit and about helping others less fortunate than ourselves. Volunteering is one good way of learning and understanding how to play a meaningful role in society. We have a national strategy for encouraging and developing volunteering and it is set out in the report which my right hon. and learned Friend the Home Secretary launched in June. It is entitled "Make a Difference: an outline volunteering strategy for the UK", and one of the key aims of that strategy is to encourage and enable people to become and remain volunteers. The education service is ideal for providing volunteering opportunities and nurturing volunteers, as already happens with adults.

Schools and colleges represent an important volunteering resource. An enormous variety of work aimed at developing a sense of community and shared values is already undertaken in schools, and many colleges have an active volunteer movement. Young people have the capacity to respond positively to challenges and they respond best when they feel that they have a stake in society and in their own future. They can best be served through actions that address specific issues rather than being treated as some sort of minority group, however important.

Any definition of youth is arbitrary, although I no longer seek to suggest that 51-year-olds come under that definition. Young people are not a separate identifiable group in society. Their needs and circumstances differ. Someone of 25 who is married with children has little in common with a 15-year-old who is still at school. Where a specific area such as youth crime is identified, we are prepared to target young people directly, and there are many examples—

The motion having been made after half-past Two o'clock, and the debate having continued for half an hour, MR. DEPUTY SPEAKER *adjourned the House without Question put, pursuant to the Standing Order.*

Adjourned accordingly at nine minutes past Three o'clock.

House of Commons

Monday 17 July 1995

The House met at half-past Two o'clock

PRAYERS

[MADAM SPEAKER *in the Chair*]

Oral Answers to Questions

SOCIAL SECURITY

Incapacity Benefit

1. **Mr. Rooney:** To ask the Secretary of State for Social Security what proposals he has for monitoring the introduction of incapacity benefit. [32763]

The Minister for Social Security and Disabled People (Mr. Alistair Burt): A variety of arrangements are in place. They include the collection of statistical information on claims, disallowances, appeals and qualitative assessments of adjudication and the operation of the medical test.

Mr. Rooney: The Minister will appreciate that if the new benefit is to work properly, the quality of medical assessments is vital. Can he give an idea of progress with recruiting medical advisers and their training?

Mr. Burt: So far, 669 sessional doctors have been recruited. It is estimated that the full complement of 800 doctors will be recruited by the end of this month, as well as full-time staff required to evaluate the process. We are well up to date with the recruitment and training of doctors, which builds to some degree on information and work that they previously possessed and undertook. It is clearly vital to keep the benefit under close scrutiny and control. The work has been built up to ensure that that will happen. I will keep a careful eye on matters relating to the medical test.

Mr. Garnier: I congratulate my hon. Friend on his promotion to Minister of State. Can he confirm that people who cannot work and who have been receiving invalidity benefit will continue to receive exactly the same under the new system? How many of the applicants who have been refused incapacity benefit have failed to turn up for interviews?

Mr. Burt: The test's purpose is to focus attention on people who are incapable of work, to make sure that they receive the appropriate benefit, and on those who are unemployed for other reasons, who will also receive the appropriate benefit. We expect that about half the people currently on benefit will be exempt from the new test because of age or the nature of their impairment. Although few cases have come through the system so far, my hon. and learned Friend is right that a number of persons required to attend for the test have not bothered to do so. It is important to keep an eye on that, to make sure that people are not missing appointments for reasons which should be taken into account. The fact that some persons have not come forward is quite significant.

Mr. Bradley: I, too, congratulate the Minister on his promotion, which I am sure he feels is long overdue. Recently I visited the Manchester medical centre which is taking the lead with the introduction of the medical test. I was impressed by the sensitive way in which the staff at that centre are dealing with the introduction of the test. Of more concern is the number of disability organisations that have contacted me regarding press reports of the apparent hiring of Dr. John Le Cascio, second vice-president of the Unum Corporation, which is a multinational private insurance company. Dr. Cascio's job, at a reputed salary of £40,000 a year, is apparently to help train doctors in the techniques of the new medical test. Can the Minister confirm that that is the case, and that £40,000 is the salary being paid? Will he state Dr. Le Cascio's role and comment on whether he feels that there is any conflict of interest between that duty and being vice-president of a private insurance company?

Mr. Burt: I am grateful for the hon. Gentleman's initial remarks—and for those of my hon. and learned Friend the Member for Harborough (Mr. Garnier)—on my elevation; it is for others to decide whether or not it was overdue—I certainly do not feel that way, but I am none the less grateful.

I am pleased that the hon. Member for Manchester, Withington (Mr. Bradley) appreciated what he saw at first hand in Manchester and the manner in which the test is being conducted. I urge the hon. Gentleman to continue to rely on the evidence of his own eyes, rather than following magazine reports about people who may be employed by the Department to give help and advice.

Off the top of my head, I do not have straightforward answers to all the hon. Gentleman's questions. I undertake, however, to write to supply the information that he requests. I urge him to continue to use his eyes. I am sure that he will find that his experience in Manchester is replicated throughout the country.

Mr. Clifton-Brown: I, too, offer my congratulations to my hon. Friend on his promotion.

Does my hon. Friend agree that having extensively piloted the changes in assessment, and having widely consulted, it is right that we should now have independent assessment to ensure that we arrive at correct assessments on behalf of those who are claiming the benefit?

May I make one suggestion, which arises from constituency cases? There seems to be a feeling that assessment is too short and that there is a failure to listen to questions asked of the doctor. Will my hon. Friend make it clear to those who attend the assessment that a considerable amount of information has been obtained before the assessment is made? Therefore, simple questions often do not need to be asked. Does my hon. Friend agree that the assessments should be perceived as fair if the changes are to be widely accepted?

Mr. Burt: I am grateful to my hon. Friend for his kind remarks.

At this early stage we are keeping a close eye on the medical tests and the questions asked. I appreciate my hon. Friend's comments. It would seem important to give the procedure that we have in place—it has been there for

only two or three months—a chance to work. We shall be evaluating it with the doctors to ascertain how the assessments are going, how long they are taking and how people are responding to them.

My hon. Friend is correct in saying that the test has been extensively trawled. It was well trawled in committee. A panel of 80 independent experts consulted to determine how the test should be put together. There were then two evaluation studies. The test was further refined after that. Real effort has been made to ensure that the test will suit the purpose for which it was designed. It will always be capable of further refinement. My hon. Friend and others will find me open to refinements that will improve the system and assist those who need the benefit.

Child Maintenance

2. **Mr. Sutcliffe:** To ask the Secretary of State for Social Security how much child maintenance was paid as a result of assessments by the Child Support Agency, excluding maintenance paid as a result of orders under the liable relative system, in the latest period for which figures are available. [32764]

The Parliamentary Under-Secretary of State for Social Security (Mr. Andrew Mitchell): The amount of maintenance paid direct to the Child Support Agency as a result of assessments by the agency for the period April 1993 to the end of May 1995 was nearly £105 million. In addition, the agency assesses maintenance which is then paid direct between the absent parent and the parent with care. In 1994-95 such assessments amounted to £111 million and from April 1995 to the end of May 1995 the amount paid directly between parents was £21,160,000.

Mr. Sutcliffe: Does the Minister realise that that figure is well below the forecast target of £525 million and that the CSA has lost the confidence and trust of those involved? About 40 to 50 per cent. of applications are not dealt with properly or are dealt with incorrectly. Is it not time that the Minister did something about that? We heard in January what the Government intended to do, but the reality is that the CSA is falling further and further behind in its work. The impact that it is having on people's lives is dramatic.

Mr. Mitchell: The hon. Gentleman's question relates specifically to comparisons with the liable relative system. Such comparisons are not especially relevant as that system was inconsistent, haphazard and often very unfair to the parent with care. It tended to cherry-pick and to do individual deals. On the hon. Gentleman's general point, I hope that he will recognise the considerably improved performance of the agency over the past year, although I accept that there is still a long way to go before the service can be regarded as satisfactory.

Mr. Evennett: First, I warmly congratulate my hon. Friend on his well-deserved promotion.

How many parents were traced by the CSA last year in circumstances in which their whereabouts were unknown by the parent with care of the child? Will my hon. Friend confirm that although the CSA has had some problems it has done much good work for parents with care, who can now discover where the absent and feckless parent is?

Mr. Mitchell: I thank my hon. Friend for his kind remarks. Last year, in 77 per cent. of all cases taken on by the CSA the absent parent was paying nothing. Every week 1,000 absent parents are found, and 50,000 were found during the whole of last year. Their whereabouts were unknown before the agency tried to find them. There is still a long way to go, but the CSA's performance is improving.

Mr. Ingram: I welcome the Minister to his new portfolio—only time will tell whether it constitutes a punishment or a promotion, as I am sure his hon. Friend the Minister of State will inform him on the basis of his own experience in the Department.

We have heard much from the Government in recent weeks about the need to tackle benefit fraud, but are not the Government guilty of fraud on a grand scale by having continued to peddle the myth that the Child Support Act 1991 and the Child Support Agency are providing long-overdue help for children and parents with care? Who does the Minister think is to blame for the fact that by the end of March 1995 some £87 million was owed to parents with care and to children? Is that the fault of absent parents, civil servants or the Ministers who introduced the whole shambolic system?

Mr. Mitchell: I am grateful to the hon. Gentleman for the kind remarks with which he opened his question.

The debt accumulated by the agency is not classic bank debt in the normally understood sense; it relates significantly to interim maintenance settlements, which account for some 70 per cent. I hope that the hon. Gentleman will wish to continue the bipartisan approach which ensures that the principles behind the policy are fully accepted, while emphasising the importance of continuing to make the improvements that have already been made—which, I hope, will be evident tomorrow from the CSA's annual report.

Expenditure Growth

3. **Mr. Whittingdale:** To ask the Secretary of State for Social Security by how much planned social security spending for the year 2000-01 will be reduced compared with plans published in "The Growth of Social Security". [32765]

The Secretary of State for Social Security (Mr. Peter Lilley): Since publication of "The Growth of Social Security" in 1993, projected expenditure in 2000-01 has been reduced by nearly £8 billion. More than half that amount is due to policy changes announced since 1993; the rest is largely due to improved economic and social performance over the last two years. In the longer term, total savings so far announced will be £14 billion a year.

Mr. Whittingdale: I thank my right hon. Friend for his answer, and congratulate him on his efforts to contain the growth in social security spending.

How much of the social security budget is currently spent on asylum seekers? Does my right hon. Friend agree that that part of his budget should be subjected to particularly rigorous scrutiny?

Mr. Lilley: I am grateful to my hon. Friend for his support for the changes that we have introduced. As I recall, the total cost of benefits going to asylum seekers is some £200 million a year. Fewer than 10 per cent. of those people are ultimately granted refugee status,

although an additional number are granted exceptional leave to remain. They are the subject of considerable interest in my Department.

Mr. Frank Field: As everyone is congratulating everyone else this afternoon, would it be in order to congratulate the Secretary of State on not moving?

Does the right hon. Gentleman recall saying, in his Mais lecture, that it cost every person in work an average of £13 a day to pay the social security bill? In his Social Market Foundation lecture, he said that that amount had risen to £15 a day. The right hon. Gentleman is supposed to be a cost-cutting Secretary of State; what is his estimate per day for those in work at the millennium?

Mr. Lilley: I am grateful to the hon. Gentleman for welcoming my continued presence at the Dispatch Box. To echo the earlier observation of his hon. Friend the Member for East Kilbride (Mr. Ingram), I do not know whether it is a promotion or a punishment but I am delighted that the hon. Gentleman remains opposite me as Chairman of the Select Committee on Social Security.

The hon. Gentleman mentioned the rise in the cost of the social security bill per working person per working day from, in round numbers, £13 to £15 over a three-year period. That is a growth of 2.7 per cent. per annum in real terms—slightly below the long-term trend of 3.3 per cent. The figure in real terms at the millennium will be about £16 per working person per day as a result of the changes that I have introduced. It would be considerably higher if we had not made those changes, and I remind the House that the Opposition opposed nearly all of them.

Single Parents

5. **Mr. John Marshall:** To ask the Secretary of State for Social Security what is the latest estimate of the cost of benefits to single parents in 1995-96. [32767]

Mr. Lilley: It is estimated that total benefit expenditure on lone parents in 1995-96 will reach some £9.5 billion.

Mr. Marshall: My right hon. Friend is known as a supporter of the Institute of Economic Affairs. Would he like to comment on the pamphlet produced by that organisation in which Dr. Morgan says that the tax system penalises those mothers who stay at home while the benefit system helps lone parents? Does he agree that the single parent's premium, which costs taxpayers some £250 million, must be re-examined?

Mr. Lilley: We keep all benefits under review as part of our long-term review of public expenditure. Although we must recognise that some of the £9 billion would go to those parents even if they were not lone parents, the cost of lone parenthood adds about £1,500 a year to the taxes of married couples who are supporting their own children in addition to paying to support others. That is why we have to look rigorously at those benefits. I hope that my hon. Friend welcomes the £10 per week family credit premium that we have announced today for those working more than 30 hours a week. That will be particularly beneficial to married couples, who will constitute some three quarters of the 350,000 receiving that extra help, thus encouraging self-supporting families.

Mr. Wicks: As many lone parents would love to have the independence that a proper job brings, why in the last 16 years has a growing proportion of lone parents had to depend on income support? Why have the Government not taken action through education, training and child care to move people away from dependency, which they do not want, to independence, which they do want?

Mr. Lilley: The hon. Gentleman, who has always taken an informed and intelligent interest in this subject, is right to say that there was a rather disturbing disparity in the trend, with married women going out to work in increasing proportions while lone mothers were increasingly staying at home. That trend reversed about two or three years ago, partly as a result of the measures that we have taken—the introduction of the child care disregard in family credit and increasing efforts to get maintenance from absent parents. Both those measures have helped lone parents to go out to work and an increasing proportion are doing so. I know that the hon. Gentleman will welcome that as much as I do.

Mr. Alan Howarth: We hear much about plans for a crackdown on social security fraud—and no doubt it is right to do that—while the appetites of the affluent are being whetted for future tax cuts. Would it not be at least as attractive for the Government to emphasise their plans for the relief of the unemployment and poverty traps? As my right hon. Friend wishes to see honest work rewarded, will he state his plans to improve the position of lone parents on income support who have benefit deducted pound for pound on earnings above £15 a week? I do not think that that disregard has been uprated for seven years, and there is no allowance for the cost of child care or other work-related expenses.

Mr. Lilley: My hon. Friend is right to say that we have to crack down on fraud, but he is wrong to suggest that the primary support for that comes from the affluent. In my experience, the greatest support for these measures comes from what might be called the hard-working class—people who take home very modest sums as a result of working hard 40 hours a week and who see other people manipulating the system to obtain full benefit while not declaring some earnings. That is greatly resented by the hard-working class. My hon. Friend asks what we are doing to improve incentives to work: I point out to him the new £10 family credit supplement which is being introduced this very day.

Non-uprated Benefits

6. **Mr. Flynn:** To ask the Secretary of State for Social Security what proposals he has to uprate those benefits that have not been uprated since they were introduced. [32768]

Mr. Lilley: The next uprating is due to take effect in April 1996. I shall be announcing my proposals at the appropriate time.

Mr. Flynn: Why are the widow's payment and 23 other important benefits still frozen? That payment replaced a benefit—the widow's allowance—which was increased by the rate of inflation every year. The Government have refused to increase it. If they had increased it by the level of earnings, it would now be worth not £1,000, which was the amount when it was first announced, but £1,881. To fund an election bribe to 5,000 of the richest people in

Britain, the Government are cheating the widows, the sick, the elderly and the recently bereaved. Is that not mean and despicable?

Mr. Lilley: No, it is absolute nonsense. We keep all benefits, including the widow's benefit, under review. There is an increasing proportion of people with life insurance and other provision to protect their widows in the event of their early demise. Uprating all the benefits to which the hon. Gentleman referred would have cost more than £1 billion a year. He should ask his right hon. Friend the Leader of the Opposition, who gaily declares that a radical reform from a socialist perspective will somehow save money, where he will get the money to meet the promises that the hon. Gentleman is willing to throw out.

Mr. Jenkin: Does my right hon. Friend agree that we have been able to uprate benefits in the social security system because we have developed a dynamic enterprise economy? Would not a less punitive regime of capital gains tax improve the dynamism of the economy and make us more able to uprate social security benefits?

Mr. Lilley: My hon. Friend is right. The best counterpart to a good welfare state system is a dynamic and vibrant free enterprise economy generating the wealth to pay for it, which is what we have, and creating opportunities for people to work and to make provision for their own retirement. Lower taxes of all kinds help that; that is why the Labour party's approach of raising taxes across the board would hit the growth of our economy on the head and ultimately undermine our ability to help those most in need.

Further Education Students

7. **Mr. Ainger:** To ask the Secretary of State for Social Security how many further education students have had their benefits suspended in each of the last two years. [32769]

The Parliamentary Under-Secretary of State for Social Security (Mr. Roger Evans): This information is not available.

Mr. Ainger: As the Minister knows, because I have written to him on a number of occasions—as, I am sure, have many other hon. Members—part-time further education students have had their benefits suspended. Does he agree that that is a scandal, bearing in mind the fact that both his party and the Opposition want to see a highly skilled and highly educated work force? We are actually encouraging people to give up their studies in an effort to make ends meet by living on benefit. Are the Government not truly encouraging people to be totally dependent on benefit?

Mr. Evans: No. The 21-hour rule in income support is a concession to the normal requirement that people should be available for work as a condition for benefit. It allows unemployed people to occupy their time in part with useful study while being available for and actively seeking work. It was never intended to provide financial support for people who are primarily concerned with continuing their education. The rule has applied to income support and its predecessor, supplementary benefit, since 1971.

Mr. Hawkins: Can my hon. Friend confirm that unemployed people will continue to be able to study part time provided that they remain available for and actively seeking work, and that those arrangements will continue under the jobseeker's allowance?

Mr. Evans: My hon. Friend is absolutely right. The arrangements will continue under the jobseeker's allowance with the exception that instead of the 21-hour rule, which includes time for homework, there will in due course be provision for 16 guided learning hours, to reflect the changes in Further Education Funding Council-funded courses. It is estimated that the same number of people will benefit under the new rules as under the old.

Child Support Agency

8. **Mr. Gunnell:** To ask the Secretary of State for Social Security how many payments of compensation on the grounds of error, maladministration or delay have been made by the Child Support Agency at the latest date for which figures are available. [32770]

Mr. Andrew Mitchell: A special payment may be considered where, for example, a clear and unambiguous error or unreasonable delay by the Child Support Agency has resulted in a measurable financial loss. To date, 44 special payments have been made as a result of error or delay on the part of the agency.

Mr. Gunnell: Does that reply not indicate that the criteria for giving special payments are extremely narrow? Every hon. Member must have written to the Minister's predecessor about cases of delay in administration. The Parliamentary Commissioner for Administration has commented on a number of those cases. What exactly are the criteria for making special payments? Is it not time that the criteria were widened? Is it not time that the £44—or whatever the exact sum is—that people pay for the administration of the Child Support Agency was remitted to those who find that the administration causes them endless grief?

Mr. Mitchell: The compensation is made for measurable financial loss. It is clear, however, that the Department's scheme needs to be reassessed in the light of the unique nature of the Child Support Agency's business. I have therefore asked officials to speed up the process and to report to me urgently on the options available.

On the two specific cases that have been raised by the hon. Gentleman with my Department, the administrative improvements will help his constituents greatly, in terms of both better information systems and better help lines. The Child Support Agency can make special payments so long as a clear and unambiguous error by the agency, resulting in actual financial loss, has been made.

Mr. Anthony Coombs: I welcome my hon. Friend to his post. Does he agree that if anything proves the necessity to have the Child Support Agency, it is precisely the fact that 77 per cent. of lone parents contacted by the Child Support Agency last year were receiving no help whatever from the absent parents? Does he also agree that hon. Members are receiving more and more correspondence from parents with responsibility, who now want the agency to act on their behalf? Will he do all that he can to ensure that it acts much more competently and professionally than it has hitherto?

Mr. Mitchell: I thank my hon. Friend for his kind remarks. Correspondence with Members of Parliament is

much improved. Work on hand today is 60 per cent. down on last year and I am determined that there should be further improvements. On my hon. Friend's general comment, the administration is clearly improving. There are now much better information systems and a welcome emphasis on accuracy. Staff training has improved and there are better links with outside bodies. I shall visit all six of the Child Support Agency centres in the next few weeks to see for myself what is happening on the ground.

Ms Lynne: Is the Minister aware that my constituents and many others throughout the country still have horrendous problems with the Child Support Agency? It is not just a question of bad administration; the Child Support Act 1991 is flawed and should be scrapped. Does he agree that, had it not been for the shameful collusion of Labour Front-Bench Members, we might have had a fair and workable maintenance system in place?

Mr. Mitchell: Far be it from me to defend Labour Front-Bench Members on this issue, but it is a great pity that at a time when those difficult principles were widely supported both within and outside the House, while the Labour and Conservative parties have stood firm by those principles and the changes announced this year, the Liberal party turned turtle and fled the field.

Mr. Tredinnick: I, too, congratulate my hon. Friend on his promotion. Although I accept that the administration of the Child Support Agency has improved, does my hon. Friend agree that problems exist when it comes to reassessing people's claims of changed circumstances? Will he keep a critical eye on that aspect?

Mr. Mitchell: Yes, my hon. Friend is right to flag up that aspect of the Child Support Agency's work. Clearly, the second tier of appeals and appeal tribunals has been sharply speeded up, and a centralised unit is being set up. I am conscious of the importance of what my hon. Friend said.

Mr. Dewar: I, too, add my congratulations to the new Minister and I am impressed that he got all his friends in the parliamentary Conservative party here to cheer his first appearance at the Dispatch Box.

May I remind the Minister that, although we stand by the principle that parents should contribute to the upkeep of their children, we are not satisfied with the present system and will press for further change? I genuinely welcome his announcement that the compensation system is to be reviewed as 44 payments is a shaming total in view of the widespread public concern about how the agency has been operating and the scarifying criticism that has come, for example, from the National Audit Office and from Select Committees.

May I ask the Minister about one other aspect? Does he remember that the White Paper "Improving Child Support" contained a pledge that, from last April, in cases where delay was clearly the fault of the agency, consideration would be given to waiving all but six months of accrued arrears? Has that power been used and what sort of guidance has been given to define the situations in which consideration could lead to payment?

Mr. Mitchell: On the hon. Gentleman's latter point, I understand that that is now in process and, following what he has said, I shall follow developments all the more closely. This year's changes are of immense importance. My hon. Friend the Minister of State, who took them through the House of Commons, has shown that, by listening carefully to what hon. Members on both sides of House say, improvements to the formula could be made. We have managed to knock off some of the rough edges from the formula, which all hon. Members agreed was necessary, and in some cases we have gone further than the Select Committee on Social Security urged us to go.

We have also ensured that, for the rump of hard cases, the departure system will be introduced as soon as is practical. All that makes the Child Support Agency's work and the targets that we all want it to attain, that much more readily attainable.

Pensioner Earnings

9. **Mr. Spring:** To ask the Secretary of State for Social Security by how much the real earnings of pensioners have changed since 1979. [32771]

The Parliamentary Under-Secretary of State for Social Security (Mr. Oliver Heald): Pensioners' average incomes have increased by 50 per cent. in real terms since 1979. Earnings represent a small proportion of the total.

Mr. Spring: I warmly congratulate my hon. Friend on his thoroughly deserved promotion. Will he confirm, not only that pensioners' average incomes have risen faster than those of the population as a whole, but that three quarters of pensioners under a Conservative Government now have an income flowing from their own investments and savings?

Mr. Heald: I thank my hon. Friend for his kind comments. The Government's policy of providing a sound basic pension, of encouraging private provision, and of targeting through the benefit system the poorest pensioners has been working well, but it has been underpinned by the Government's economic policies, especially the policy of low inflation. What pension members will have to consider is, having bought into the disreputable Labour old banger—the vehicle of state that it produced in the 1970s—whether they now want to buy the same vehicle just because the salesman smiles more sweetly and there are "go faster" stripes on the side.

Mr. Pike: Does the Minister accept that the increased level for older pensioners is less than that for younger pensioners? Is it not derisory and an insult to those people that when they reach the age of 80, they still receive only 25p extra a week? Is it not time that that sum was increased?

Mr. Heald: The hon. Gentleman is making what, in a way, is an obvious point: as time has gone on, the position on pensions has improved, but he should know that the poorest pensioners are still better off. They are 15 per cent. better off in real terms than in 1979 and that is under a Conservative Government.

Mr. Forman: I welcome my hon. Friend to his new duties and pay tribute to this Government's record in price-protecting the value of pensions. Does it none the less remain the case that a small and declining group of pensioners is solely dependent on the state pension, that they often have to rely on income support as well, and

that the Government should think of being more generous to them in a targeted way? Will my hon. Friend give his considered support to that proposal?

Mr. Heald: It is right, of course, always to review these issues, but the fact is that, as from next April, the poorest pensioner couples will receive £100 a week in benefits through the system. It is also right at this point to mention the campaign by my right hon. Friend the Secretary of State for Social Security against benefit fraud. In targeting benefits on the poorest pensioners, every pound counts and it is right that we should use every penny that we can for proper purposes. We should welcome the response that the fraud campaign has had, not just from the general public, but from newspapers such as *The Sun*, which, through its hotline, will provide valuable information to the Government.

Family Credit

11. **Mr. Bennett:** To ask the Secretary of State for Social Security how many people have lost family credit in the last 12 months on the basis of money awarded by the Child Support Agency and have not yet received the award. [32774]

Mr. Andrew Mitchell: None. Family credit is assessed on the basis of income actually received before the claim. If maintenance is not being paid, it will not be taken into account in assessing family credit.

Where maintenance has reduced as a result of the recent child support changes, recipients will receive compensation for the remainder of their family credit award.

Mr. Bennett: When does the Minister expect the Child Support Agency to work efficiently and effectively?

Mr. Mitchell: I have already answered that question this afternoon. On the hon. Gentleman's specific point about family credit, the CSA is the solver of the specific problem which he mentioned, not the reverse, because it adds to the amount due, but not paid to the bill, and chases it up. That did not happen under the old system.

Mrs. Roe: May I also add my congratulations to my hon. Friend on his promotion and wish him every success in his new role? Can he confirm that the 30-hour premium on family credit has been launched today, which will give an extra £10 a week to those new claimants for family credit who are working full time? I understand that that could benefit up to 345,000 claimants.

Mr. Mitchell: My hon. Friend is right. That welcome news, which has been received today, will affect 345,000 claimants. It will give extra encouragement to those on low pay, who are working full time. My hon. Friend may be interested to know that three quarters of those affected are married couples.

ATTORNEY-GENERAL

Roger Levitt Case

29. **Mr. Mike O'Brien:** To ask the Attorney-General if he will make a statement on evidence to the Treasury and Civil Service Committee by the director of the Serious Fraud Office that he did not authorise plea bargaining in the Roger Levitt case. [32753]

The Attorney-General (Sir Nicholas Lyell): The director of the Serious Fraud Office gave oral evidence to the Select Committee on 12 June and again on 11 July. The extent of his involvement in the discussion of possible pleas in the Levitt case has now been fully explained by him to the Committee.

Mr. O'Brien: Surely the Attorney-General cannot expect to get away with that reply. The Treasury and Civil Service Select Committee, of which I am a member, has received damaging evidence from senior QCs that the Serious Fraud Office and its counsel misled the Attorney-General; that, in turn, he inadvertently misled the House; that the prosecution of Levitt was bungled and that a cover-up was instituted, which involved attacks upon the judge in that case. They are serious allegations, which cannot be left unheard, and we need an independent inquiry into the facts. If confidence is to be restored in the Serious Fraud Office, I believe that the director of it, George Staple, must go.

The Attorney-General: I do not think that the hon. Gentleman is being at all just to the director of the Serious Fraud Office. I do not believe that an independent inquiry of that type is called for, as I shall explain. First of all, the hearing in the case was in public and the matters which took place before the judge were all recorded by a shorthand writer.

The hon. Gentleman, and other members of the Select Committee will know that there is an unhappy background to the case in that it gave rise to a complaint by leading counsel for the Crown against leading counsel for the defence. It is the subject of disciplinary hearings that are still to take place before the disciplinary committee of the Bar Council, which will comprehend, in one form or another, most of the matters which the hon. Gentleman has raised in his question today.

Finally, the Select Committee has its own proper interest in questions such as the interplay between the Serious Fraud Office and the regulators and the wider question of plea bargaining in the American sense, if that were ever to be appropriate here. I believe that we have quite enough public inquiries as it is.

Mr. John Marshall: Does my right hon. and learned Friend accept that in his answers of December 1993 he quite unwittingly misled the House? Can he tell the House who saw those draft answers before he put his signature to them? Does he also agree that the head of the Serious Fraud Office should resign because of the botched nature of the prosecution of Roger Levitt and the fact that, subsequently, he appeared not to be in command of his brief?

The Attorney-General: With respect, I do not agree with my hon. Friend, but I shall answer his question. I think that I have given the fullest series of answers on any criminal case about the detailed history in relation to this case, including answers to my hon. Friend. I shall be perfectly clear with the House. I know a great deal more about the case today than I knew about it when I was first answering in December 1993. The substance of my answer, and one point in particular which I think that my hon. Friend has in mind, is correct. But if I had known everything that I know today, I would have phrased it

somewhat differently. I have made that perfectly clear in answers which I have hitherto given and which I am giving to the House today.

Mr. Donald Anderson: The Attorney-General must surely realise that there is a sense of public outrage. When bank clerks and postal workers misappropriate trivial sums of money, they immediately go to prison, yet when Mr. Levitt decided that he did not want to go to prison, the system seemed to conspire to meet his wish. Does not the right hon. and learned Gentleman feel a similar sense of outrage that he clearly, personally was misled by his own advisers and that, as a result, inadvertently—we totally concede—he misled the House? What he has said today will not end this matter. It will not go away as he would want. Unless and until an independent inquiry looks into the conflict between the several counsel in this case and the background of the misleading of the Attorney-General, it will go on and on.

The Attorney-General: The hon. Gentleman raised two points. The first was about the sense of public disquiet as to the outcome of the Levitt case. The later stages of the case were not happy. What went on is very much in the public domain and I do not think that anyone is particularly happy about that. In part, that has given rise, rightly or wrongly, to the disciplinary proceedings which are to be heard before the disciplinary committee of the Bar Council, at which—I repeat this to the hon. Gentleman—these matters will no doubt be fully explored by a tribunal which will have to decide very difficult issues. Frankly, those issues are not for this House. I have given very full and candid answers to the House. I have corrected my earliest answer on one particular, which should not, I respectfully say, be exaggerated.

The nub of the question suggested that the Crown was trying to throw in the towel from an early stage. That is not correct, I am satisfied of that. But I have expanded my answer to make it clear that there was a to-ing and fro-ing between counsel. This could have been described as a "suggestion", so long as it was not understood in the way that I have explained and made clear since.

Public Interest Immunity Certificates

31. **Mr. Gordon Prentice:** To ask the Attorney-General what plans he has to reform the system of public interest immunity certificates. [32755]

The Attorney-General: The law on public interest immunity has been developed primarily by the courts. Public interest immunity certificates are one of the subjects under consideration by Sir Richard Scott. The Government will take careful note of any conclusions and recommendations in his report.

Mr. Prentice: Can the Attorney-General tell the House why Customs and Excise has refused on three occasions to hand over copies of public interest immunity certificates to Sir Richard Scott, which he considers necessary for the completion of his inquiry? Is not it as plain as a pikestaff that the Government are strewing with obstacles the path that Sir Richard Scott is treading in trying to get some truth from the arms to Iraq inquiry?

The Attorney-General: I am sure that the answer to the latter question is a flat no. I confess that I do not know exactly what the hon. Gentleman is referring to in the question about certificates going to Sir Richard Scott. If he is referring to the three public interest immunity certificates which are before the Court of Appeal today, I am given to understand that the court has indicated that it has no objection to those certificates going to Sir Richard, and they will go to Sir Richard. May I just add this: a big lie, a wholly false notion, that the signing by Ministers of public interest immunity certificates somehow involves sleaze or impropriety, has been spinning around the globe for three years.

Mr. MacShane: I wonder why.

The Attorney-General: The hon. Gentleman says that he wonders why. It is because people like him have not bothered to look into the system. The hon. Gentleman and the House should know that, in a criminal case, when there is a public interest immunity certificate, every document covered by that certificate is shown to the judge before he makes a decision. That happened in the Matrix Churchill case and it is happening in the Ordtech case which is before the Court of Appeal today. The big lie should be laid to rest now.

Mr. Garnier: Can my right hon. and learned Friend confirm, both as a matter of fact and as a matter of law, that the public interest immunity certificate system cannot, under any circumstances, operate as a gagging order? As my right hon. and learned Friend has just said, does not the criminal trial judge look at every document covered by the certificate?

The Attorney-General: My hon. and learned Friend is quite right. The expression "gagging order" is part of that big lie. The system is created by the courts, and has been approved and modified by the courts. I can confirm what my hon. and learned Friend said: in a criminal case every document covered by a PII certificate is shown to the judge so that he or she can decide whether or not the document should be disclosed to the defence for use in the trial.

OVERSEAS DEVELOPMENT

Nigeria

39. **Mr. Hain:** To ask the Secretary of State for Foreign and Commonwealth Affairs if he will review aid provision to Nigeria. [32793]

The Minister of State, Foreign and Commonwealth Office (Mr. Jeremy Hanley): We have no plans to review our aid programme to Nigeria. Since the annulment of democratic elections in 1993 new projects have been confined to those bringing direct benefits to poor Nigerians.

Mr. Hain: I congratulate the Minister on his new job and hope that it will be gaff free.

I urge the Minister to stop all aid to Nigeria. Surely, that country is now behaving like a banana republic—it refused to recognise the free and fair 1993 elections, imprisoned the victor, Moshood Abiola and prosecuted, on a fraudulent basis, with the promise of a death penalty, Ken Saro-Wiwa and other representatives of the Ogoni people. The Government are not fit to be recognised by the rest of the world and a tough stand must be taken against them to ensure that human rights abuses end and democracy is restored as soon as possible.

Mr. Hanley: I thank the hon. Gentleman for some of his opening remarks. I am absolutely thrilled to be taking

on these responsibilities. It is a great honour to be a Minister of State at the Foreign and Commonwealth Office; it is one of the most fascinating and absorbing of offices. My slightly less than conventional direction of approach to the Department makes no difference to my delight at serving in it.

To turn to the matter at hand, the hon. Member for Neath (Mr. Hain) knows Nigeria well and has taken on responsibilities there on our behalf. He will know that, if we stopped aid to Nigeria, the people who would suffer would not be the military Government, but the poorest people. We take great care to ensure that aid goes directly to the poor. We avoid using the Government; we use non-governmental organisations wherever possible. Exactly those people for whom the hon. Gentleman cares would suffer if we followed his policy.

Mr. Lester: Will my right hon. Friend look into the case of General Obasanjo, whom many of us know and have worked with. He has been charged and convicted by a military court and we are concerned that somebody of his age and experience should be kept under house arrest or in prison.

Does my right hon. Friend have any knowledge about whether General Abacha is going to the Commonwealth Heads of Government meeting in Auckland? If the general is not going, will my right hon. Friend try to persuade him to go so that he can receive the full weight of the views of the Commonwealth leaders on the way that he is running his country?

Mr. Hanley: We noticed, of course, the announcement on 14 July that 40 people have been found guilty, by a military tribunal, in connection with an alleged coup plot. We understand that the verdicts have been submitted to the Provisional Ruling Council for approval and we strongly urge the PRC to display clemency when considering the verdicts against all the accused.

To answer my hon. Friend's second question, there is widespread concern in the Commonwealth about continued military government in west Africa. It is contrary to the principles of the 1991 Harare declaration. It is difficult to see how Nigeria can play a full role in Commonwealth affairs until it puts its house in order.

Mr. Foulkes: I also welcome the Minister to his new responsibilities—I am sure that he will find them more satisfying than his previous incarnation.

Has the Minister had time to discover that one of the criteria for awarding British aid is good governance? Has he seen the comment by his colleague the right hon. and noble Baroness Chalker that, unless there are changes in Nigeria, its membership of the Commonwealth must be reconsidered? I hope that the Minister will confirm that that is not merely rhetoric because the imprisonment of a democratically elected leader is quite intolerable. It is not something that could be described—to use one of his previous phrases—as "mere exuberance".

Mr. Hanley: It is a particular honour and a pleasure to answer in this place for my right hon. and noble Friend Baroness Chalker. I look forward to working with her on this portfolio for many months to come. *[Interruption.]* For many, many months to come. We are talking about very serious matters, so I ask the hon. Gentleman to lift his game a little.

We share the considerable Commonwealth and African concern about Nigeria. However, sanctions or other such measures could be decided only by the Commonwealth collectively if we chose to embark on that course of action. I agree with my right hon. and noble Friend that Nigeria should have taken very clear steps forward before the Auckland Commonwealth Heads of Government meeting, including announcing a credible timetable for a return to civilian democratic rule. I thoroughly agree with the hon. Gentleman's final comments about the imprisonment of any democratically elected person.

Saharawi Refugees

40. **Mr. Corbyn:** To ask the Secretary of State for Foreign and Commonwealth Affairs what assistance is available for the Saharawi people within Morocco and in refugee camps in Algeria. [32794]

Mr. Hanley: The United Nations High Commissioner for Refugees is operating a care and maintenance programme for Saharawi refugees in southern Algeria. As a leading donor to the United Nations High Commissioner for Refugees, the Overseas Development Administration contributed more than £20 million in 1994 to the general programme budget from which those contributions were made.

Mr. Corbyn: Does the Minister accept that the Saharawi people have been dealt a dreadful blow by the actions of Morocco in occupying the western Sahara for many years? Is not it very important to increase pressure to complete the registration programme so that a referendum can be held to allow the Saharawi people to decide their own future?

Despite the aid that is being given, 200,000 people are living in exile and 10,000 people have been homeless and bereft of almost any support since the very serious floods last year. Can the Minister see his way clear to increase the amount of aid that Britain gives—particularly for health, education, housing and food—to ensure that those people can at least live decently until they have the opportunity for a free and democratic vote and can return to their homes?

Mr. Hanley: I agree with much of what the hon. Gentleman says. We do not recognise Moroccan sovereignty or jurisdiction over the western Sahara. We do recognise the UNHCR's figures, which show a current annual aid programme of about $3.5 million, and, as I said earlier, the United Kingdom assistance flows through the UNHCR.

Morocco and Algeria also receive substantial multilateral aid, particularly through the European Union. Morocco received about £369 million in the fourth European Community-Morocco financial protocol and Algeria received nearly £300 million. So substantial aid is going to the people to whom the hon. Gentleman has correctly drawn the attention of the House. We will make sure that that aid is used effectively. We will examine the matter of the October floods but I note that it was not judged necessary to launch an international appeal, although there has been aid in that regard.

Sir David Steel: I also warmly welcome the Minister to his new post and I hope that he has an enjoyable and fruitful few months in it, as he said.

Will the right hon. Gentleman use his time as a new Minister in the Foreign Office to look afresh at this scandalous issue? The little- known conflict has been going on ever since Spain withdrew from her former colonies. The United Nations peacekeeping mandate lasts only until the end of September, so it is urgent that Britain uses its influence in the Security Council and elsewhere to persuade the Moroccans to agree to hold a referendum on fair terms and allow those people their post-colonial rights to self-determination.

Mr. Hanley: I am grateful to the right hon. Gentleman for his welcome, and I look forward not only to working with the Department but to working with him. My first challenge will be an Adjournment debate on Wednesday, for which I thank the right hon. Gentleman. The Government are doing everything we can to encourage a referendum, and to discourage—for exactly the reasons that the right hon. Gentleman gave—anything that delays the holding of such a referendum.

Agricultural Expertise

42. **Mr. Pike:** To ask the Secretary of State for Foreign and Commonwealth Affairs what countries receive aid from Her Majesty's Government in the form of agricultural expertise. [32797]

Mr. Hanley: We provide agricultural expertise through the bilateral aid programme to some 38 countries. I shall place a list of those countries in the Library of the House for the hon. Gentleman's assistance.

Mr. Pike: Is not it important for agricultural expertise to be given on every occasion possible? Does the Minister recognise the importance of the problems which have existed in Pakistan for the past few years caused by the pest that is doing so much damage to the cotton crop, and thereby to the whole economy, of that country?

Mr. Hanley: Yes, I agree very much with the hon. Gentleman's opening remarks. We spent some £58 million on all aspects of technical co-operation—including expertise in agriculture, livestock and fisheries—in 1993-94, and the equivalent figure for forestry and agri-forestry is some £28 million. The ODA, through the Natural Resources Institute in Chatham, has supported research into the control of cotton pests in Pakistan since 1985, with current research focusing on the use of pheromones in controlling cotton pests and on ways of combating the resistance of pests to chemical sprays. I am grateful for the hon. Gentleman's interest in the matter.

Greenbury Report

3.31 pm

The President of the Board of Trade and Secretary of State for Trade and Industry (Mr. Ian Lang): With permission, Madam Speaker, I would like to make a statement about the report of the study group on directors' remuneration, chaired by Sir Richard Greenbury, which was published today.

The group was set up in January this year, on the initiative of the Confederation of British Industry, in the wake of public concern about executive remuneration in some public limited companies. The Government supported the setting up of the group and we now welcome the publication of its report. We congratulate the group on a thorough, speedy and authoritative review of the issues. We welcome its recommendations in principle, and strongly support the emphasis that the group places on the need for pay to be justified by performance.

The group's report follows shortly after the report by the Select Committee on Employment on the remuneration of directors and chief executives of privatised utilities. While the Government will give a considered response to both reports when Parliament resumes after the recess, the House will expect me to make some preliminary comments now, and I willingly do so.

Pay in the private sector is a matter for companies and their shareholders. The Greenbury initiative demonstrates that companies and institutional investors recognise the level of concern on the issue and are determined to act. There is no doubting the authority of the group's recommendations. The group's report vindicates the self-regulatory approach. It will deliver more effective, speedier results than legislation could achieve. Indeed, there has already been a perceptible change in some companies' attitudes to those matters.

The Greenbury report will be underpinned by action by the stock exchange. Its recommendations are addressed primarily to listed companies. It is appropriate therefore that the stock exchange should enforce them through the listing rules. The Government welcome the stock exchange's announcement this morning that it will do so.

The Government have no intention of introducing a top people's pay policy. We do not begrudge top salaries for top performance. Our companies must compete at world level if our nation is to prosper. We must pay the rate for the job. Greenbury points out that although comparisons are difficult, total remuneration levels in the United Kingdom are well below American levels and broadly comparable with other European countries. The fastest way to drive our best talent abroad—in any field, not just business—would be to impose restrictions on earnings.

There has been particular concern about windfall gains arising from share option schemes in the privatised utilities. The Government accept the group's recommendation that for newly privatised companies, no share options should be made available until at least six months, and preferably a year or more, after privatisation.

The great success of virtually all the privatisations of recent years has been a feature of the strengthening of Britain's economy. Consequently, some share options have yielded substantial benefits to those who guided that success. But the huge achievements of the privatisation programme have also brought dramatic benefits for consumers in terms of lower prices, more choice, better consumer-focused service and more investment, as well as a large and growing flow of revenue to the Exchequer through taxation.

There are three recommendations for legislative action addressed to Government. My right hon. and learned Friend the Chancellor of the Exchequer has already announced this morning that the Government will introduce legislation in the next Finance Bill to withdraw the income tax reliefs at present available to directors and employees participating in executive share option schemes that have been approved by the Inland Revenue. The withdrawal of the reliefs will take effect in relation to grants or the exercising of options on or after today.

The second and third recommendations are for minor amendments to the Companies Act, to remove overlap with the group's proposals for comprehensive disclosure and to amend the Companies Act rules on the disclosure of the value of pensions benefits, when they have been drawn up by the actuarial professional bodies. The Government will consider both recommendations carefully and quickly. We remain willing to consider other legislative back-up if experience shows that it is needed.

In summary, the Government welcome the publication of the Greenbury group's report. It is comprehensive and well judged. It will help to ensure that pay is based on performance. It tackles specific problem areas with firm, fair and practical proposals. It is a package that meets today's needs, and I believe that it should be supported.

Dr. John Cunningham (Copeland): I begin by taking this first opportunity to congratulate the right hon. Gentleman on his appointment as President of the Board of Trade. Of course, he took over from the right hon. Member for Henley (Mr. Heseltine), who has become a kind of Prime Minister-in-waiting. He is not here today, we notice; no doubt he is staking out No. 10 Downing street, the great panjandrum of this decrepit Government. If the right hon. Member for Henley had been half as successful in creating jobs for the British people as he has been with his personal job creation schemes, unemployment in Britain would be much lower than it is today.

We are, however, delighted to see the Chancellor of the Exchequer in his place. After all, it was he who, over many months, dismissed our calls for share options to be taxed as income. On 8 December last, the right hon. and learned Gentleman said:

"The hon. Gentleman's proposals"—

referring to my hon. Friend the Member for Dunfermline, East (Mr. Brown)—

"on loopholes are undesirable changes in taxation on legitimate business. I have considered his proposal on executive share options many times".—[*Official Report*, 8 December 1994; Vol. 251, c. 474.]

But he rejected it. It is little wonder that the right hon. and learned Gentleman was seen practising somersaults in the garden of No. 11 Downing street early this morning. He has opposed these proposals for many months, but we are now led to believe that he is anxious and willing to introduce them.

Does not the President of the Board of Trade recognise that, had Labour not demanded action and had Labour not reflected the understandable anger of repeatedly exploited consumers, the Government would have done nothing, as the right hon. and learned Gentleman intended?

Incidentally, that is also what the former President of the Board of Trade intended, as a leaked memo in March from his office to the Prime Minister made clear. It stated that the President was loth to take action. That was the true position of the Government until the Greenbury report appeared. They have in no sense reflected the public anger or the outcry that followed the many abuses.

Before the right hon. Gentleman tries to fabricate Labour policy, let me say that we have always recognised that high performance merits high reward—[*Laughter.*] But the reality is, and Conservative Members know it, that the rewards given by their friends and themselves to the directors of privatised monopolies bear no relation to their individual performance or merits, or the performance of the organisations. Indeed, as everyone knows, the gap between executive pay and lower pay is as wide as it has ever been. The Government have a curious philosophy that directors must be given much higher rewards to motivate them, but people on low and middle incomes must have their wages controlled to motivate them.

The Greenbury report has some welcome proposals. I believe that Sir Richard would have gone further, but members of the committee stopped him. The draft report was offered in traditional Marks and Spencer fashion—those who did not like it could take it back and change it, and they did repeatedly.

Complete transparency on salaries and pensions is welcome, as is the relation of bonuses to performance criteria. It is right that the stock exchange must be obliged to enforce the code of practice, and its decision to do so is welcome.

However, does not the Minister recognise that the report ducks the crucial issue—the issue of abuses of private monopoly power, of the need for a truly independent member on each remuneration committee, the need for shareholders to have a legal right to vote on remuneration packages at annual meetings, the need for the abolition of all share options in privatised utility companies and the need for self-regulation to be changed, as it has clearly failed and not protected consumers from those many abuses in those privatised industries?

The Greenbury report ducks the crucial issue of share option rip-offs and huge salary hikes in exactly the industries where they have been the most outrageous. Greenbury recommends a voluntary review, which the Minister has welcomed; a voluntary review by those who made themselves millionaires at our expense in the first place. Does the right hon. Gentleman—does anyone in the House—believe that those guilty of those abuses of private monopoly power will confess? Are they likely to reduce their salaries and their share options? It beggars belief that they will do so, so, frankly, the idea that self-regulation will end those abuses does not bear examination.

Does not the right hon. Gentleman also recognise that privatisation has left consumers wide open to abuse, exposed to the exploitation of private monopoly power; that the weak regulatory regime has manifestly failed to protect consumers? Does not he recognise that those abuses are set to continue and that those massive personal gains will continue, as the memorandum from his predecessor to No. 10 Downing street, from which I quoted earlier, confirms? It also confirms, in case he has not read it, that

"none of the options is related to performance (either of the company or the individual)."

What more evidence do we need than his predecessor's own confession to the Prime Minister that none of that can be justified?

No notice has been taken at all by people in PowerGen, National Power or water companies of the public outrage that followed those abuses. The evidence is there—they do not intend to change their practices, and the right hon. Gentleman knows it. Indeed, in the case of British Gas, total factor productivity has been stagnant for several years, but that did not prevent the chief executive officer from giving himself a 75 per cent. pay rise, bearing no relation to the performance of the organisation.

Is the right hon. Gentleman aware that the conclusion that he has reached—that the report is welcome—will not be welcomed outside the House by consumers, who are fed up with being exploited and fed up with the Government's failure to act? Those issues will continue to infuriate consumers until the next general election. The Government's failure to end those abuses, like their broken promises on tax, will be neither forgiven nor forgotten.

Mr. Lang: I thank the right hon. Member for Copeland (Dr. Cunningham) for his welcome to me in my new position.

The right hon. Gentleman asked about the handling of share option schemes and why my right hon. and learned Friend the Chancellor resisted any change in taxation in the past. The answer is perfectly simple. Share option schemes were introduced in 1984 for senior executives, with the tax arrangements that have just been changed, to provide a long-term incentive for senior executives to become involved in privatisation exercises and make them a success. What is more, those schemes were introduced at a time when we had not completed the process of reducing the income tax levels that we inherited from Labour. We have now made considerable progress in that regard, and the privatisations are now mature and successful. The value that attaches to share option schemes is a direct consequence of the substantial contribution made by senior executives to the successful operation of privatised companies.

The right hon. Gentleman said that he believes that pay should reward performance. I remind him that it is hardly credible for him to say that, when his party is committed to a windfall tax on excess profits of privatised utilities, a training tax on employers and the introduction of a minimum wage. The right hon. Gentleman would clearly also introduce a maximum wage. Labour is going step by step towards the introduction of a full wage policy at all levels. Conservative Members know perfectly well that that is Labour's true aspiration.

Only today, the Full Employment Forum, as it calls itself—a body of 60 Labour Members of Parliament and Members of the European Parliament—called for a higher tax rate of 50p in the pound on all individuals earning £50,000 and more.

The right hon. Gentleman talked about monopoly. He does not seem to realise that since the gas industry was privatised, it has moved from being a monopoly to an industry of 42 companies, and 44 companies are engaged in supplying electricity. That competitive element in the provision of utilities has led to substantial advantages for the consumer—whom the right hon. Gentleman says we are not protecting. He might have forgotten that BT's

[Mr. Lang]

main prices have fallen by 35 per cent. after inflation since privatisation, and that domestic gas prices have fallen by around 23 per cent. since privatisation.

Perhaps the right hon. Member for Copeland is not aware that the right hon. Member for Sedgefield (Mr. Blair) travelled to the far ends of the world to make a speech to the News Corporation leadership conference in Hayman Island, Australia, when he said:

"Our parliamentary system is hopelessly outdated. There is, believe it or not, still prejudice against success in trade and business."

What a pity that the right hon. Member for Sedgefield, in e-mailing himself down the Internet to Australia, forgot to fax a copy of his speech to members of his Front Bench at home. The fact is that Labour does not admire success, but is interested only in state control. That is not in the interests of consumers or shareholders.

Mr. David Shaw (Dover): Will my right hon. Friend confirm that the tax changes proposed by my right hon. and learned Friend the Chancellor will not impact on the secretaries, office workers and shop floor workers in my constituency who have taken share options? Does my right hon. Friend acknowledge that many shares go to ordinary employees on average wages?

Mr. Lang: I am happy to reassure my hon. Friend. Labour does not like and does not choose to recognise that there are 10 million shareholders, and 6 million shareholders in privatised industries. If Labour's alleged recognition of enterprise were to be believed, one would think that it would welcome those figures.

Mr. Archy Kirkwood (Roxburgh and Berwickshire): The package is acceptable as far as it goes and disclosure will be helpful, but does the Secretary of State acknowledge that small shareholders will still be powerless? Will he introduce a new charter, to give them the authority to approve directors' packages? Will he confirm that, even after the Chancellor's new initiative in changing the tax regime that applies to such packages, the fat cats will have to pay only an extra £2,400? Surely that is small beer in terms of the losses and gains seen in the recent past.

Mr. Lang: The hon. Gentleman calls for a charter. If he reads Sir Richard Greenbury's report, he will see that it clearly sets out a code of best practice and makes a number of substantial recommendations—the majority of which are being taken up by the stock exchange and made obligatory under the listing rules. That not only greatly strengthens shareholders large and small, but sets down a code of practice that all companies will be expected to operate.

Mr. Michael Stephen (Shoreham): Were any requests received from the Opposition parties to widen the scope of the Greenbury inquiry to include the pay and perks of journalists, television personalities, pop stars and professional sportsmen?

Mr. Lang: My hon. Friend makes an extremely good point. It is wrong for the Labour party to abuse and describe as fat cats those in the City whose skills and professionalism are admired throughout the world and which generate so much enterprise, revenue and employment in this country.

Mr. Greville Janner (Leicester, West): In welcoming the right hon. Gentleman to his post, may I welcome the parts of the Greenbury report that reflect the views of the Labour minority and reject those of the Tory majority? Has the right hon. Gentleman read the Employment Select Committee report? Has he any comments to make now on that report? As I presume that he has read the Richard Greenbury report, does he unequivocally agree with all the recommendations and remarks contained within it?

Mr. Lang: The hon. and learned Gentleman is familiar with these matters because he is a long-standing member of the Ladbroke Group plc board's remuneration committee, which recently approved the chairman's salary of £583,000 and a share option package for directors worth £2.3 million. I welcome the hon. and learned Gentleman's participation in the discussion.

I have read the Employment Select Committee report. I shall ensure that we reply to it, as I said in my statement, in the autumn. The hon. and learned Gentleman asked me whether I agreed with every detail and point in the Greenbury report. I have said that we welcome the report in principle, agree with most of its recommendations and will respond fully in the autumn.

Mr. Spencer Batiste (Elmet): May I ask my right hon. Friend to take the opportunity to reject utterly the concept of a statutory wages policy, which would be the inevitable outcome of the comments of the right hon. Member for Copeland (Dr. Cunningham)? Is not the real issue the need to encourage the representatives of large institutions to take a much more active role in companies, and to find ways of enabling them to do that, which will not lead them into running foul of the necessary rules against insider trading?

Mr. Lang: My hon. Friend makes a valid point. Institutional shareholders are investors who seek to make a profit, just as small individual shareholders do. The fact remains that they have substantially more voting power. They tend to hold their shares for longer and they are in a position to exert greater influence. It behoves them to use that power responsibly, as many of them do. It is a matter that I shall be considering further.

Mr. Richard Caborn (Sheffield, Central): Will the President of the Board of Trade give a clear answer on the voluntary code and the role that is being barred to shareholders? Will he introduce some checks and balances into the system? Those outside this place consider that to be important.

Have the Government any plans to examine the corporate government of companies, especially in regard to institutional shareholders? Will they take all stakeholders into account, especially when it comes to competitiveness? That issue has been raised on several occasions by the Select Committee on Trade and Industry.

Mr. Lang: The hon. Gentleman will have heard my reply to my hon. Friend the Member for Elmet (Mr. Batiste) about institutional shareholders. As for the code of best practice, I urge the hon. Gentleman to read the recommendations in detail to understand how they interrelate. He will then appreciate that the importance of the remuneration committee is considerably enhanced. There is a far greater requirement for disclosure, accountability and transparency. I think that that will be of considerable advantage to all shareholders.

Mr. Bill Walker (Tayside, North): Does my right hon. Friend realise that many people will be delighted at the

Government's quick action? There was genuine concern and it will be welcomed especially that the remuneration committee, under the code of practice, will not contain people who will step up one another's salaries to suit one another. That is important, because it gives confidence. May I be the only consumer in this place who is delighted with British Gas and the service that it has given me in my new house?

Mr. Lang: My hon. Friend makes his point well. I welcome his support for British Gas. Board pay at British Gas accounts for about 15p per consumer per annum. The savings that British Gas has achieved for consumers are equivalent to £77 per annum. Those figures alone justify the level of remuneration that a company the size of British Gas has chosen to set.

Mr. Ken Eastham (Manchester, Blackley): Has not the President of the Board of Trade omitted to mention the mistakes and mismanagement that Greenbury found on investigating some of the carryings-on in certain utilities? Is it not a fact that some of the top cats currently under investigation were members of the 11-member committee? Has it not been said that small shareholders should have more of a say at annual general meetings before massive increases are paid? Sir Iain Vallance—a top man—was paid £50,000 to do a little job for 18 days a year, along with another £665,000; another director of a utility was paid £465,000 a year, plus £500,000 worth of share options and £38,000 to do three little jobs for three days a year. Should not the right hon. Gentleman be considering those issues?

Mr. Lang: Perhaps the difference between the Opposition and the Government is that we believe that committees should be manned by people who know something about the subject, rather than just by those with prejudices about it. As for the hon. Gentleman's point about the position of small shareholders, I have noted the point made in the Select Committee's report about the circulation of motions for the annual general meeting, and we shall of course consider it.

Mr. John Wilkinson (Ruislip-Northwood): Does my right hon. Friend agree that, in the context of performance, one aspect of a director's responsibilities is the ability to exercise self-discipline and restraint, and to understand what is acceptable to employees as well as shareholders? Is it not important for Her Majesty's Government, in all dealings with the utilities, to encourage directors to exercise that responsibility?

In the context of international relativity, is it not also essential for Her Majesty's Government to continue to reduce direct taxes on income, so that international entrepreneurs and directors will want to make a living in this country?

Mr. Lang: I agree with both those points. When making international comparisons, however, it is important to recognise that many top managers have skills that could easily be transported to other countries. In Germany, France, Belgium and Italy, pay levels are slightly higher than in this country; in companies of comparable size in the United States, pay is twice as high as it is here. Our directors must also take that into account.

Dr. John Marek (Wrexham): Has it occurred to the President of the Board of Trade that, following the fiscal changes, a chairman of a privatised utility who was taking home £300,000—perhaps in the form of share options—will take home £297,000? Less than 1 per cent. of his salary will have been taken away. The employees at the bottom of the scale, to whom the hon. Member for Dover (Mr. Shaw) referred, however, may lose as much as 25 per cent.

If the right hon. Gentleman has reflected on that, will he also reflect that all the huge, unjustified payouts by chairmen of former nationalised industries to themselves and their directors are just a little like what happened in "Animal Farm"—the bit where the pigs have taken control?

Mr. Lang: Obviously, the circumstances of individual directors will vary according to their salary levels, the size of their share option schemes and their circumstances in relation to both income tax and capital gains tax. The hon. Gentleman's figures are meaningless. If he feels that the change that my right hon. and learned Friend the Chancellor has made to the tax system is inadequate, however, why on earth have his hon. Friends bayed for it over recent months?

Mr. Michael Fabricant (Mid-Staffordshire): Will my right hon. Friend pass on my congratulations to our right hon. and learned Friend the Chancellor on reacting so quickly this morning by altering Companies Act legislation? Is it not typical of Labour Members that, if my right hon. and learned Friend had not made his statement, they would have criticised him for doing nothing; but, now that he has responded quickly to the Greenbury committee—as he said that he would—they say that he has performed a somersault? Is not that ridiculous?

Mr. Lang: My hon. Friend is absolutely right. I can reassure him that we shall also urgently consider the other two matters for which legislation is recommended, on the disclosure of salaries in company accounts and the disclosure of pension benefit levels.

Mr. D. N. Campbell-Savours (Workington): Is not it true that a small number of directors and executives of privatised utilities are now carrying stock share options that are worth more than £100 million—I repeat, £100 million? Will they simply be free to exercise those options, which none of them has earned? What about last week's events? We understand that some directors were able to exercise options in advance of the announcement, on the basis that they were given insider knowledge. What does the Secretary of State have to say about that as well?

Mr. Lang: I have no knowledge of any insider knowledge having existed. If the hon. Gentleman has any evidence of that, I hope that he will send it to me. The share options are valuable because the value of the companies rose as a result of the efficiency with which they were run after they were able to cast off the yoke of nationalisation. Privatisation, in almost every company that has had the benefit of it, has been a triumphant success. I was asked about the issue of existing share option commitments. If the Labour party is recommending that contracts and contractual arrangements that are already entered into should be ridden over roughshod and broken, I disagree.

Mr. Harry Greenway (Ealing, North): Does my right hon. Friend agree that, if Greenbury's recommendations and the Employment Select Committee's majority report

[Mr. Harry Greenway]

are implemented, remuneration, especially of executives of privatised industries, will be transformed? I note my right hon. Friend's important point that those industries have delivered substantial price reductions. Will he keep an eye on the situation and be prepared to act again if that is needed? Will he ignore the Labour party's constant efforts simply to encourage spite and envy, which is dangerous, damaging and very silly?

Mr. Lang: I am happy to give my hon. Friend the assurance that he seeks. Of course I shall continue to keep an eye on the situation. However, I think that the implementation of the Greenbury recommendations will bring about a substantial improvement.

Ms Angela Eagle (Wallasey): Will the Secretary of State now acknowledge that the public outcry about these excesses is genuine and is based not on envy but on anger, and that the Greenbury proposals will do almost nothing to assuage that anger, because they will not deal with the problem? What will he do to end the absurdity of the block vote system at annual general meetings? Mr. Giordano exercised 3 million block votes to give himself a huge increase and override the wishes of everybody at one such meeting.

Mr. Lang: The hon. Lady obviously knows all about block votes. There is a principle of one share, one vote, and that seems extremely fair. On the issue of voting, perhaps the hon. Lady should reflect on the outcome of the Labour party's Scottish conference in March, which on one day voted to abolish clause IV and on the next voted to renationalise every public utility.

Mr. Jacques Arnold (Gravesham): My right hon. Friend will, of course, bear it in mind that tens of thousands of ordinary employees have share options and will know that when they exercise them, their gains fall well within the £6,000 capital gains tax threshold. Will he avoid the trap into which the Labour party has clearly fallen and which would hit ordinary employees? Will he ensure that if there is any switch to income tax, that allowance will be kept intact for ordinary people?

Mr. Lang: My hon. Friend makes a good point. I am sure that the public will notice Labour's commitment to abolish share option schemes. So much for Labour's commitment to enterprise. Some 6 million shareholders have secured their shares as a result of privatisation. The vast majority of those people are small shareholders who have a stake in their company and in the future of their enterprises. Conservatives are determined that they will have the benefit of that.

Mr. Tony Banks (Newham, North-West): Who chose the members of this remuneration study group committee? Why were there no women on it and no representatives of the consumer's interest? Why did it not have an employees' representative? Why was it made up entirely of big nobs from big business, people who earn millions from salaries and options every single year? How can the public have any faith in this? All that has happened is that the fat cats have been put in charge of the creamery.

Mr. Lang: The members of the committee will note what the hon. Gentleman thinks of their skills. The chairman of the committee, Sir Richard Greenbury, runs one of the most efficient companies in the country, which is a considerable advantage to consumers. He took a cut in his salary last year, reflecting the circumstances of his company. Indeed, the entire board of Marks and Spencer pays itself less than it gives to charity every year. The qualities and experience of the men on the committee formed the right mix to bring to bear the knowledge that was needed to get a worthwhile and sensible report, which is what we have.

Mr. Edward Garnier (Harborough): Will my right hon. Friend confirm that the Greenbury report will have no bearing on the Government's policy of reducing income and capital taxation as soon as it is prudent to do so?

Mr. Lang: My hon. and learned Friend will have heard what my right hon. Friend the Prime Minister and my right hon. and learned Friend the Chancellor have said on that matter on many occasions.

Mr. Ernie Ross (Dundee, West): The President of the Board of Trade said that he had read the report by the Select Committee on Employment. Will he confirm that the main recommendations that Greenbury came out with over the weekend are not to be found in the majority report, which was supported by his hon. Friends, but are contained in the minority report produced by me and my colleagues, the Labour members of the Employment Select Committee? As people are watching our discussions, will he correct the statement that he made earlier, which was that Labour was out to abolish share options? The Labour party has said that it is opposed to executive share options and that if executives have share options, they should be taxed as income.

Mr. Lang: In other words, the hon. Gentleman is narrowing down the qualification to say that Labour is opposed to share option schemes only for some people, preferably those who are most efficient and most senior in their companies and who have most to offer to the management of those companies. I doubt whether that will impress executives or employees.

Mr. John Marshall (Hendon, South): Will my right hon. Friend join me in welcoming the proposal that service contracts should not last for as long as they have historically? Does he agree that the real scandal in the City is the compensation paid to the incompetent rather than the salaries paid to the successful? Does he also agree that the politics of envy, the proposals for a minimum wage and the proposals for a maximum salary demonstrate which party is not the heir to Thatcherism, is not a believer in the market economy and hankers after the controls that hindered this country so much in the 1970s?

Mr. Lang: I agree with my hon. Friend's latter points; he has also hit on a good point about compensation. One of the reasons why shorter contracts are now in contemplation is to avoid the excessive compensation payments made to people who have turned out not to be up to the job.

Mr. Jeremy Corbyn (Islington, North): Will the Secretary of State confirm that the 11 members of the Greenbury committee have a total salary, excluding share options, of well over £4 million? Does he agree that nobody should take seriously anything that this group says, because it is merely trying to protect the interests of

the already very rich? If it is good enough for the very rich in industry to be paid the going rate for the job, why is the Secretary of State so opposed to the train drivers getting a decent increase for the responsible job that they do in ensuring the safety of the public and the efficiency of our railway network?

Mr. Lang: People should be rewarded according to their performance. There is no doubt that the quality of the members of the Greenbury committee justifies their level of salary. One needs only to look at the success of their various companies to see that.

Mr. Peter Hain (Neath): Is not this report simply a charter for the fat cats to keep purring contentedly? Is not the self-regulatory ethos deeply flawed and has it not failed in the past? Does not it contrast extremely starkly with the ruthless regulation of the remuneration of teachers, nurses, train drivers and others who really make this country work?

Mr. Lang: Perhaps the hon. Gentleman should look at the words of his hon. Friend the Member for Edinburgh, Central (Mr. Darling), whom I see in his place. He said in February this year:

"We believe that people should be rewarded for improved performance whether in the form of increased salary or the granting of options."

What a pity it is that that enlightened view does not stretch to the hon. Gentleman's Back Benches.

Mr. Richard Burden (Birmingham, Northfield): Surely when the President of the Board of Trade seeks to equate the scandal of executive share options with the share offers that have been made available at various times to ordinary employees of privatised utilities, he is aware that there is little comparison between the two, either in terms of the nature of the schemes or in terms of their value. Some of the greatest outrage about executive share options has come from those self-same employees. If he believes that senior executives must have their loyalty to their companies won by being paid millions of pounds, why does he not take the same view about ordinary employees?

Mr. Lang: The Greenbury committee makes a number of recommendations about future share option schemes. I welcome the fact that it is keen to encourage long-term shareholdings. It is also keen that all long-term incentive schemes should be approved by shareholders, that the discounting of share options should be stopped, and that share option schemes on new privatisations should not be introduced for six months, or preferably a year. All those measures will improve the relevance and efficiency of share option schemes and remove some of the excesses that have caused so much concern.

Mr. Geoffrey Hoon (Ashfield): Will the President of the Board of Trade explain the precise legal means that the Government have employed to ensure that share options are taxed as income rather than capital with immediate effect? Will he also explain whether the benefit to the individual taxpayer will be taxed in the financial year in which the option is exercised or whether the taxpayer will be allowed to spread the benefit over the period from when the option was originally granted?

Mr. Lang: The change will be made in the forthcoming Finance Bill and the hon. Gentleman must wait for its publication to have his question answered.

Mr. David Evans (Welwyn Hatfield) *rose—*

Madam Speaker: I watch very carefully to see which hon. Members come into the Chamber after a statement has been made. May I ask the hon. Member for Welwyn Hatfield (Mr. Evans) whether he heard the entire statement?

Mr. Evans: I did, Madam Speaker.

Madam Speaker: In that case, I will hear the hon. Member.

Mr. Evans: Is my right hon. Friend aware that, during the recent Labour leadership election, the right hon. Member for Sedgefield (Mr. Blair) received £79,000 from three London Weekend Television directors who earned their money from share option schemes? Does not he think it a bit rich that the lot opposite should criticise us when their own leader was elected on the back of share option schemes?

Mr. Lang: My hon. Friend is absolutely right. We keep hearing about new Labour, but what we have seen and heard today is old Labour, which is full of envy and spite towards success and enterprise, and cannot resist interfering, regulating, legislating and controlling. Old Labour would reduce this country, as it did before, to impoverishment and high unemployment.

Dr. John Cunningham: Is it not revealing that from neither the Government Front Bench nor Back Benches have we heard one word of condemnation of the manifest and widespread abuses of salary hikes and share options in the privatised utilities? Is it not the same story in respect of their attitude to Lloyd's, for example? Once again, they have refused to take action to end abuses in Lloyd's, even though Lloyd's management has asked them to do so.

Before the right hon. Gentleman continues to misrepresent what we have been saying, will he acknowledge that I said that share options for directors of privatised utilities should be ended, not all share options, as he inadvertently claimed a few moments ago? If he reads our published statement to Greenbury and elsewhere, he will see that it is clear that we recognise that remuneration should be related to performance and that people who perform well are entitled to be well remunerated.

Mr. Lang: I shall study *Hansard* with great care. As for action to end abuses, that is exactly what the Greenbury committee was set up to do and what its report and recommendations should do.

On the right hon. Gentleman's commitment to enterprise, the Labour party talks in its new clause IV about the rigour of competition and a thriving private sector, but its every word and action today shows that it means the opposite.

Privacy and Media Intrusion

4.12 pm

The Secretary of State for National Heritage (Mrs. Virginia Bottomley): With permission, Madam Speaker, I shall make a statement about the press and privacy.

I am today publishing the Government's response to the report of the National Heritage Select Committee on privacy and media intrusion. Copies are available in the Library and Vote Office.

I pay tribute to the Select Committee for its report. The Government very much appreciate the Committee's patience in its long wait for this response. The issues in this area go to the heart of our democracy and the Government have thought about them long and hard. In every democracy a balance must be struck between the rights of individuals to personal privacy and the freedom of the press. As the Select Committee recognises, that is not always easy to achieve.

It is a proud feature of our free society that for 300 years, other than as a necessity in times of war, the United Kingdom press has been at liberty to write whatever it chooses, subject to the constraints of the law as it applies equally to all citizens. Such freedoms are jealously guarded, by the press itself and by this House. The surest means of protecting those freedoms is to ensure that they are used responsibly. Overall, the quality and standards of our local, regional and national press are high. Some newspapers, however, have ridden roughshod over people's privacy when there was no possible justification for doing so. Cases concern not just those in public life, but private citizens who become the subject of media scrutiny through circumstances not of their choosing. People are entitled to privacy for themselves and their families.

In response to those concerns, the industry has taken a number of steps. An independent, non-statutory Press Complaints Commission was set up at the beginning of 1991. My noble Friend Lord Wakeham was appointed as the commission's chairman at the beginning of this year. He has considerably strengthened it. The majority of its members are now independent of the press and bring robust common sense to the cases before them. Lord Wakeham set out the steps that he has taken in a recent letter to my predecessor. It is published today as an annex to the Government's response.

The development of a national code of practice for the press is a significant improvement on what has gone before. The code, and how it is applied, is being shown to have effect. The House will be aware, for example, of a recent instance where the editor of a Sunday tabloid was publicly reprimanded by the newspaper's proprietor for breaching the code. More needs to be done and I am glad to note that, as the Select Committee on National Heritage recommended, increasingly compliance with the code is being written into the employment contracts of editors and journalists.

My noble Friend Lord Wakeham is bringing forward proposals for discussion on how both the public and the PCC can contribute to revising and further toughening the code of practice. That is welcome, as are his proposals for performance targets against which to measure the commission's efficiency and responsiveness.

It is essential that self-regulation is both effective and seen to be effective. There have been improvements to the PCC. Lord Wakeham is committed to doing more. I have written to him setting out further improvements that the Government wish to see both in the procedures of the PCC and in the code of practice itself. My letter is published as an annex to the Government's response to the Select Committee.

We recommend that the PCC pays out compensation to those whom it judges have had their privacy violated by the press. Such awards would be paid from a fund set up by the industry. That would be a collective recognition from the industry that one of its members had wronged a member of the public.

We have proposed several ways in which the code of practice might be further tightened up. In particular, there are several points where the language of the code should be more precise, or the emphasis changed, to place greater weight on the protection of individual privacy.

We support the Select Committee's call for a direct and rapid line of communication between the chairman of the PCC and newspaper editors. That would be used to warn them where, in the chairman's judgment on the basis of the evidence submitted to him, the code was about to be breached. That could be used to head off abuses. It is also important that the public have rapid and direct access to the PCC. That facility should be well publicised in the press so that the public are aware of it.

The Government have considered carefully whether legislative options should be pursued, rather than the self-regulatory alternative. We have decided for the present to allow Lord Wakeham's commission, and the press, to demonstrate that self-regulation can be made to work. Let me say something, however, about each of those legislative alternatives.

The Select Committee on National Heritage and Sir David Calcutt's 1993 report before it both took the view that legislation was needed to prevent abuses by the press. There is disagreement, however, about the best remedies to apply. Sir David Calcutt recommended a statutory press complaints tribunal, but that was rejected by the Select Committee.

The Government agree with the Select Committee that a statutory press complaints tribunal would not be right. We believe in a free press. Like the Committee, we are reluctant to see statutory controls. A statutory tribunal would be a very significant step on a path that we have no wish to travel. For the same reason, we cannot accept the Committee's recommendation for a statutory ombudsman.

I come next to the Select Committee's recommendation for a protection of privacy Bill with both civil and criminal elements. The criminal elements would be similar to the intrusion offences proposed in the Calcutt report. The Select Committee, however, unlike Calcutt, would extend the offences to cover intrusion for any purpose and not just for publication.

The Government have made it clear that they see attractions in principle in the use of the criminal law to prevent and penalise blatant and unjustified intrusions into the privacy of individuals; nor could the owners or editors of most newspapers, we believe, legitimately object to sensible laws in that area.

The Government have therefore given the most painstaking consideration to how the necessary legislation might be drawn up. In particular, we examined from every angle how the Calcutt offences might work in practice. That work is described in detail in chapter 3 of the Government's response.

We have been guided by the principle that the law must be both clear and enforceable. It must have a good chance of catching those who are abusing their powers while not inhibiting legitimate journalistic investigation. Any legislation would have to establish a balance that protected privacy while allowing responsible journalism, and without creating defences that were so wide as to render the offences meaningless.

We have been forced to conclude that the difficulties of scope and definition of the proposed offences, and the necessary defences, are formidable. The Government would prefer to see a self-regulatory process than to introduce a law that could create more problems than it is designed to solve. The Government therefore have no immediate plans to legislate in that respect.

The Select Committee also recommended a civil remedy for infringement of privacy. That would give victims of infringements of privacy a right to damages and to seek injunctions. In 1993, my noble and learned Friend the Lord Chancellor and the then Secretary of State for Scotland consulted on a new civil remedy. That consultation did not generate the clear support which the Government look for when considering major measures of law reform. The Government are not yet persuaded that there is sufficient consensus on which to base statutory intervention in this area. Moreover, the Government strongly prefer the principle of self-regulation.

On balance, therefore, the Government have decided not to legislate for a new civil remedy, at least for the present. We believe, however, that the right to privacy should be more explicitly spelt out in the industry's code of practice. For that reason we are publishing, as an annex to our response, what a civil remedy might look like, with the recommendation that elements of it should be incorporated into the code.

The House will look to the industry to respond positively to the recommendations set out in my letter to Lord Wakeham. Self-regulation still has a case to prove. Despite the serious practical difficulties, legislative measures should not be ruled out. The fact is, however, that self-regulation is the most practical way forward. The appointment of Lord Wakeham and the approach he is taking offer the best opportunity for some time that self-regulation will be made to work in a way which commands public confidence.

There are signs of a growing recognition among editors, including past miscreants, that the right of individual privacy is not to be casually cast aside. The industry now has to back the PCC and to make self-regulation fully effective. This is an issue which the Government and the House will and should continue to monitor and debate.

Mr. Chris Smith (Islington, South and Finsbury): May I welcome the Secretary of State to her new role and responsibilities? I congratulate her on her promotion and I hope that she has brought her assiduousness, but not her philosophy, with her from the Department of Health.

In the statement, the Government have clearly recognised the need for and the difficulty of balancing the right of free expression with the right to individual privacy for ordinary citizens. Any new provisions must be aimed above all at protecting the ordinary citizen, not the rich and famous, and protecting the right of the media to expose and counter injustice wherever it happens. I am not convinced, however, that the Government have got that balance right in their statement.

May I begin by expressing severe disappointment that the Calcutt committee's recommendations from 1990 on an offence of specific physical intrusion have not been adopted? It proposed a very limited set of provisions in criminal law to prevent intrusion from bugging devices and invasion of private property. In the then Home Secretary's response on 21 June, he said:

"We accept them in principle."—[*Official Report*, 21 June 1990; Vol. 174, c. 1125.]

The then Secretary of State for National Heritage said in January 1993:

"The Government accept the case for new criminal offences to deal with specified types of physical intrusion and covert surveillance."—[*Official Report*, 14 January 1993; Vol. 216, c. 1068.]

On 29 January 1993, the then Under-Secretary of State said:

"the Government will therefore bring forward legislation in due course to give effect to those proposals".—[*Official Report*, 29 January 1993; Vol. 217, c. 1344.]

Not only have Ministers promised to implement those Calcutt recommendations, but Conservative Back Benchers have advocated them on several occasions, including, on 14 January 1993, the hon. Members for Thanet, North (Mr. Gale) and for Pudsey (Sir G. Shaw), both of whom I see in their places today.

Such a provision against physical intrusion would at least cope with some of the worst excesses of press intrusion. When the hospital bedrooms of Gorden Kaye or Russell Harty are invaded to get a cheap story, all hon. Members wish to deal with the issue, yet the Government's statement does not do anything whatever to deal with it. Those who do not seek public limelight should surely be protected, as the very specific and limited proposals that Calcutt came forward with in 1990 would have done. The Secretary of State's excuse that it is difficult to frame legislation really does not wash. It is possible, Calcutt set out how, and the courts could, under the normal common law principles, interpret on a case-by-case basis.

May I however welcome the Government's rejection of Calcutt's 1993 recommendation for a statutory press regulatory body? It seems that the "last chance saloon" has been granted a substantial extension to its drinking hours. It is important, except in the very specific circumstances to which I have already referred, that self-regulation rather than censorship ought to be the rule. But for self-regulation to work, it must be seen to work. We note with interest the Government's sympathy for the establishment of a compensation fund for victims of press error. Is there not a danger, however, that if the fund were established with contributions across the board from all members of the press, the good papers would end up subsidising the misdeeds of the bad? Is that not a foolish way of going about ensuring that miscreants are given an incentive to behave better?

Will the Secretary of State consider one further specific change to the Press Complaints Commission: that it establishes a research capacity so that it looks not simply at individual complaints but more widely at general areas of concern about media behaviour? May I turn her attention also to the Lord Chancellor's consultation paper in 1993 and note that she has ruled out for the present the introduction of a civil offence of infringement of privacy? Without legal aid, any such civil remedy would of course be available only to those with deep pockets. May I warn her against instituting a law that would protect only the well-heeled and not the ordinary people of Britain?

[Mr. Chris Smith]

Surely a much better approach would be to incorporate properly into British law the European convention on human rights, together with its article 8, with a right to the protection of personal privacy, and article 10, with a right to freedom of expression. It should include a specific definition of acting in the public interest where privacy is infringed and couple it with the introduction of a Freedom of Information Act to open up the workings of government. That would have been a sensible approach; it would have been a far-reaching approach; it would have got the balance right. The Government have today yet again missed a fundamental opportunity.

Mrs. Bottomley: I thank the hon. Gentleman for welcoming me to my new office, which I am delighted to take on. I look forward to debating with the hon. Gentleman many subjects on a wide range of issues.

The hon. Gentleman rightly talked about the balance needed between the right of free speech and the right of privacy—the Select Committee report contained precisely those comments. The report stated:

"The Committee does not believe that this balance can or should be achieved by legislation which imprisons the press in a cage of legal restraint".

The Government have been looking carefully at exactly that issue for the past two years.

On the criminal remedies, the hon. Gentleman and the House will see that chapter 3 of our response details at some length the intractable difficulties that beset the issue. On the subject of intrusion, issues such as listening devices, privacy and hospitals are all set out in greater detail in the code of practice, which has been substantially enhanced since the debate on the subject began. As I set out in my letter to Lord Wakeham, I expect to see further clarification and strengthening of those precise points.

As has been said:

"It's how you define the 'public interest' that is so difficult. It's impossible to lay down an absolute definition."

Those are not my words, but the words of the hon. Member for Islington, South and Finsbury (Mr. Smith) in an article in the *News of the World*. That is precisely the dilemma: we must achieve a public interest defence that does not run a coach and horses through the issue.

Finally, there is the danger of developing show trials, whereby someone whose privacy has already been breached finds him or herself able to seek redress only in a criminal court, where any vestiges of privacy that he or she had will be thoroughly lost. He or she might well be subject to further allegations and further intrusions into his or her privacy.

The hon. Gentleman is right when he speaks of the need to ensure that self-regulation carries public confidence. Lord Wakeham has set out a number of measures and we will expect them to be delivered. Above all, the House must be satisfied that the interests of our constituents are being properly served.

On the subject of a civil offence, the issues are set out in chapter 4. We also published annex B to the document which shows those civil offences, with the commendation that they should be incorporated in the code of practice.

I know that the Labour party feels that the European convention on human rights is the be all and end all, but it does not remove the tension that we are discussing between freedom of speech and the importance of privacy. The convention means that instead of such matters being decided by a sovereign Parliament, they are increasingly being handed over to judges, and judges in Europe at that.

As for a Freedom of Information Act, the hon. Gentleman will be well aware of the White Paper on open government and the detailed and practical steps that the Government have taken to deliver that. When my right hon. Friend the Secretary of State for Health comes to the relevant element of his briefing, he will discover detailed commitments on availability and freedom of information in the health service.

Sir Giles Shaw (Pudsey): Does my right hon. Friend accept that I am considerably disappointed that, after so long a period—going back to the 1993 Select Committee report—she has decided that inaction is the order of the day? Will she please tell the House why she believes that the voluntary system, as embodied in the Press Complaints Commission, will have some kind of force behind its recommendations? Why should we believe that editors and newspaper proprietors will behave more rationally now than they have in the past?

As to intrusion, my right hon. Friend cannot accept that a piece of legislation is too difficult to frame in relation to mechanical devices that are provable in court or that can be obtained from under the floorboards of some unfortunate person's premises. It is surely the Government's duty to try to respond to widespread public concern that the fourth estate is using methods—let us leave aside opinions—that transgress heavily upon those who are least able to protect themselves.

Mrs. Bottomley: I understand my hon. Friend's strength of feeling about the matter, which I think is shared by most hon. Members. I think that he is on solid ground when he speaks of the past and of the lack of confidence in the Press Complaints Commission. The letter that I received from my noble Friend Lord Wakeham states:

"It seems to me that the manner in which the Commission dealt early in its life with several issues arousing great controversy came very close to undermining fatally that reservoir of authority—and in turn the standing of self regulation".

I think that many hon. Members will appreciate his recognition that all was far from well in the past.

On the other hand, we have already seen improvements in a number of ways. We have seen a strengthening of lay representation. The appointments committee comprises a majority of lay members, as does the Press Complaints Commission. As I set out in my letter, I wish to see lay representation on the code of practice committee. I want to see the code of practice incorporated in contracts of employment and I want to see pre-emptive action developed further through the use of the hotline.

When my hon. Friend has time to study the papers in detail, I think that he will find a number of specific measures that we wish to see incorporated and acted upon, as well as some of the detailed reservations and difficulties that my right hon. Friends have considered carefully for the past two years.

Mr. Robert Maclennan (Caithness and Sutherland): It is with some regret that I have to say that the Secretary of State, in her first outing in her new portfolio, has made a bad case that will convince very few people who are concerned about freedom of the press and the protection of privacy.

By suggesting that the European convention on human rights—with its careful balance between article 8, which guarantees privacy, and article 10, which guarantees freedom of expression—is only for the courts in Strasbourg to consider and is not applicable to judges in this country, the Secretary of State abandons one of the most helpful possible remedies to the dilemma that has certainly baffled her.

Can the right hon. Lady explain why she has rejected—indeed, she has done a sharp U-turn—the acceptance by the Secretary of State for the Home Department of the proposals about physical intrusion? If she believes that it is not practical to devise legislation for the courts, why should we rely or place any weight upon the prospects of the Press Complaints Commission's drafting effective legislation to operate in a voluntary manner in that sphere?

Finally, as to the right hon. Lady's proposed remedy of having the Press Complaints Commission make payments from a fund to the victims of violation of privacy, will she at least consider whether it would be better to derive that money from bonds that are put up by media proprietors and that are forfeitable, in whole or in part, if they fall foul of the code of practice to which they have subscribed?

Mrs. Bottomley: The hon. Gentleman will know that we are bound by the European convention on human rights, but to put such a measure into our law would politicise our judges. The hon. Gentleman mentioned a compensation fund and while the route that he outlined is certainly one option, there will need to be discussions between Lord Wakeham and the members of the commission as to what is the most practical way forward. It is clear from the comments of the hon. Gentleman and other hon. Members that they will not be satisfied until they see in practice, as well as in commitment, proper protection for the men and women of this country and their privacy. I feel as strongly about the matter—as do the Government—as the hon. Members who have commented today. The issue is how we can achieve a practical solution. We believe that we have set out a way forward that will get the balance right without the adverse consequences inherent in many other options.

Mr. Roger Gale (Thanet, North): There is some reason to believe that the press acquired details of the death of our late colleague Stephen Milligan by eavesdropping on conversations of members of the Metropolitan police by using laser-directional microphones. I have in my possession a private telephone bill submitted to me by a journalist working for the *Daily Mirror*, which is the kind of material supplied by private investigation agencies on a regular basis. I also have in my possession a tape made of a *News of the World* journalist in which he says clearly that he has total contempt for the effect of the libel laws in this country, as he knows perfectly well—as does his newspaper and presumably its proprietor—that the ordinary person cannot afford to have recourse to the laws of libel.

Most hon. Members respect entirely my right hon. Friend's assessment that a free society requires a free press. But as our press is now dabbling in excesses solely to meet the demands of a circulation war, the time has come to act. If she is to suggest to Lord Wakeham that the Press Complaints Commission set up a fund to provide redress, let it be a very large fund indeed.

Mrs. Bottomley: I accept the points made by hon. Friend, and I recognise his authoritative position as someone involved in this field in the House for a long time. The precise examples that he gives do not address the dilemma of how we achieve legislation with precise definitions that tackles cases without adverse consequences. The questions of definitions and the public interest would time and again vex the matter. The other point about the code of practice is that it is a more flexible and less cumbersome route. I shall state to Lord Wakeham that there is a sense of anger and impatience, and that commitments and changes which have been set in hand—there have been some encouraging signs—must not only be carried through, but accelerated.

Mr. Joseph Ashton (Bassetlaw): The right hon. Lady mentioned nothing about the invading army of picket-line doorsteppers who have besieged rape victims' houses and the homes of widows of people killed in Northern Ireland, a matter which the Committee investigated, and she said very little about phone bugging. The sanctions of the Press Complaints Commission do not exist. Unlike the General Medical Council, the Law Society and even the Football Association—which fine and punish members—the PCC never does, even if newspapers break embargoes. Despite what the right hon. Lady said, the press can carry on putting hidden cameras into gymnasiums and showing women with their legs up in the air. Even Princess Di did not have the money to stop that sort of thing. The right hon. Lady's own son had his privacy grossly invaded by the press, as the Prime Minister's son did last week, simply because he was related to a politician. He committed no crime or offence at all.

That is the sort of press invasion being carried out by a group of people who are now acting like the KGB and the Stasi in every aspect of British life which they think might sell a newspaper. There is no need to bring in the judges and lawyers. We can insist on proper sanctions and a proper tribunal that is run independently, and which is not controlled by the press or in the pockets of the press.

Madam Speaker: I know that passions in this matter are running high. I am listening carefully to what Back-Bench Members are saying, but I am not hearing questions. I am hearing statements from people who feel passionately about the matter, but we must have questions to the Secretary of State.

Mrs. Bottomley: The hon. Gentleman said that we should not bring the judges and lawyers into the matter, but the approach that many of my hon. Friends and other hon. Members are pursuing would bring endless numbers of judges and lawyers into the matter. It is extremely complex to frame legislation because whenever one area of concern emerges, a new one develops. The strength of the code of practice is that it covers a great number of areas—some of which were mentioned by the hon. Gentleman—including intrusion into grief and shock, inaccuracy and distortion, the opportunity to reply and the use of listening devices. The hon. Gentleman also made the point that the code should have some bite. I expect not only that the code will be written into contracts of employment, but that dismissal will be considered in areas where the code has been seriously breached.

Sir Peter Tapsell (East Lindsey): Should not the proprietors and the boards of directors of newspapers be made legally liable along with their editors for excesses, so that they can be held accountable for them? Is not it significant that when Mr. Michael Foot started proceedings in respect of the disgraceful allegations made against him in *The Sunday Times*, he got a speedy and satisfactory response as soon as he sought to associate the owner of that newspaper with the proceedings, which otherwise could have dragged on for years and cost Mr. Foot a fortune in legal fees?

Mrs. Bottomley: I accept my hon. Friend's comments about Mr. Michael Foot, who was able to seek redress. But once again it is a question of the extent to which we introduce the law into press control. To introduce statute into a free press after 300 years would be an extremely serious step with great constitutional implications.

Mr. David Trimble (Upper Bann): The Secretary of State referred to a compensation fund. Does she expect her recommendation to be accepted? If so, what will be the time scale for payments to be made out of that compensation fund? Will payments be made for every breach of the code, or will further discretion be exercised by the PCC? What can an aggrieved individual do if the latter is the case?

Mrs. Bottomley: It is clear from the response to my statement following the Select Committee report that hon. Members feel extremely strongly on behalf of their constituents whose privacy has been invaded. There is no doubt that the Press Complaints Commission under Lord Wakeham needs to make urgent progress in taking forward the details of a compensation fund. It is too early for me to go into detail on how the fund would work, but it will undoubtedly be the subject of close scrutiny. I take the view that dismissal could be used against those who breach the code of practice, and that may be one of the most powerful effects to make sure that the spirit, as well as the letter, of that code is followed.

Sir Edward Heath (Old Bexley and Sidcup): May I add my congratulations to my right hon. Friend on her new appointment? Is she aware that I find that I cannot agree with much of what she has said, even though some of her proposals will be useful? Is she also aware that she has shown no recognition of the fact that measures such as she has proposed have been tried time and time again in the past and have proved constantly to be unsuccessful? The time has come to deal with the matter.

I do not agree with my right hon. Friend's remark that we have a responsible British press. We have nothing of the sort. She also said that we have some of the finest press in the world. We have nothing of the sort. That used to be the case, but large parts of our press are now the worst in the world. Those of us who see a great deal of the world in our travels recognise that full well.

One essential in every sphere of life is that freedom involves responsibility and that if we abandon responsibility, we will find that our freedom is attacked. I do not wish to attack the freedom of the press, but I want us to deal with the problems that it faces.

Is my right hon. Friend aware that the biggest revelation of the disastrous state of the present British press was that, during the election of the Conservative leader, only one newspaper was prepared to say who it supported while the rest plainly wished to kill him off? They thought that they ran the Conservative party, that they ran Parliament and that they ran the country. The question is, are they now going to take notice of the fact that they do not?

Is my right hon. Friend further aware that yesterday morning when people bought their heavies—let us ignore the lights—66 per cent. were owned by foreigners who have no interest in our welfare, our people or our future? Their only interests are selfish ones. [HON. MEMBERS: "What about Tony Blair?"] I was somewhat surprised about that, but perhaps members of the Opposition Front Bench can explain how the Leader of the Opposition came to spend time in Sydney, consorting with Mr. Murdoch and all his minions. I know that he declared that he wants to be the second Mrs. Thatcher, but I am not sure that that is the way to do it.

Will my right hon. Friend consider introducing a Bill with two simple clauses? If not, I hope that some Back Bencher will do so. The first clause would provide that no item of the media could be owned by more than one individual, corporation or trust. The second would provide that where an offence is proved—I have no doubt that Lord Wakeham will do his utmost in this respect—the apology by the newspaper involved must be printed in the same place as the original offending article and must be printed in the same sized type. There is nothing difficult in that. Would my right hon. Friend be prepared to introduce such a Bill?

Mrs. Bottomley: I am sure that my right hon. Friend will be aware of the White Paper on multi-media ownership produced by my predecessor. Perhaps my right hon. Friend will table an amendment when we debate the subsequent legislation in order to pursue the course that he has outlined.

My right hon. Friend spoke about the deplorable behaviour of the press in relation to the recent leadership election involving my right hon. Friend the Prime Minister. I am pleased that the British people have more sense than to believe everything that they read in the newspapers which, I hope, are all eating a healthy diet of humble pie.

I know not what the Leader of the Opposition is doing in the southern hemisphere or what good or ill fortune it will bring him, but I know that these are extremely serious matters. The debate will continue, and hon. Members will require further and stronger action.

As for my right hon. Friend's specific point about apologies, substantial progress has already been made on that front, but one of the other matters on which I am seeking further progress from Lord Wakeham is that the adjudication shall be produced in some detail so that, in a sense, the equivalent of case law can build up. It is important that members of the press know and understand not only the letter of the code of practice but the spirit of it. They should be aware of the consequences if they disregard the principles that are so important to all of us.

Mrs. Ann Clwyd (Cynon Valley): The Minister is not short of suggestions this afternoon, but may I add another to the long list given by my hon. Friend the Member for Islington, South and Finsbury (Mr. Smith)? I believe that the right to reply to inaccurate reporting—the right to have a correction printed in the newspaper without having to go to court—would help ordinary people more than anything else. Very few people can afford to go to court, but inaccurate reporting has destroyed many people's

lives or made them miserable without those people having the opportunity to correct the original inaccuracy. Those who do have that opportunity often have it only at the whim of an individual editor, not as a right. I believe that the right to reply should be considered.

Mrs. Bottomley: This is an area that the hon. Member for Hammersmith (Mr. Soley) has explored at some length and on which he made considerable progress. Item 2 of the code of practice identifies in detail the opportunity to reply. Some progress has been made: in recent months, there has been an increase in the number of complaints reported to the Press Complaints Commission, many of them relating to accuracy or, in a sense, the right to reply. As I said, some progress has been made, but it is undoubtedly an aspect where further advances are needed.

Mr. Peter Brooke (City of London and Westminster, South): Does my right hon. Friend recall the observation which, on being translated from Latin, reads:

"Whom God would destroy He first sends mad"?

an observation which applies to some of us in public life just as it applies to some of the press? Does she accept that if that madness were to continue in some parts of the press, the British people would cut the press off at the ankles just as they cut off the king, the barons, the Church and the trade unions, even if that moment has not yet arrived in the British people's mind?

Mrs. Bottomley: I wholly share the view expressed by my right hon. Friend and my predecessor but one. There is an impatience among the British public and in the House for action to be delivered. The final sentence from Lord Wakeham's report states:

"My central aim is . . . to ensure proper redress for ordinary people against abuses by the press, while preserving the essential freedoms of the press—without which any democracy will surely founder."

The importance of the freedom of the press in a democracy cannot be overstated. At the same time, the impatience of the House to see further action, as evidenced today, also needs to be firmly underlined. I hope that this does not first make me or my right hon. Friend mad.

Mr. David Winnick (Walsall, North): Is not the truth of the matter that there is a never-ending circulation war among the tabloids and that the invasion of privacy, which we all deplore, makes very good stories? Why does the Secretary of State believe that what she has said today will make the slightest difference? In view of the fact that there seems to be little or no support from any party for what she is suggesting—indeed, to many of us it is a total cop-out—why does she not reconsider?

Mrs. Bottomley: The Government have been considering this matter for about two years and have examined all the options very carefully. When the hon. Gentleman has had time to read the response to the Select Committee's report in detail, I think that he will see why the intractable problems of pursuing a statutory route are so great. I wish to see further progress on the privacy front and agree that we need greater detail, greater clarity and greater enforcement.

Mr. David Mellor (Putney): May I wish my right hon. Friend well in the tenure of her new office? Is she aware that she has the sympathy of many of us in that, after two years in which the Government have been wrestling with this matter, we appreciate how difficult it must be for her to show the smack of firm government at the Dispatch Box? May I suggest that the best defence of what she is proposing—incidentally, we should not have to apologise for not rushing to legislation—are the six pages of correspondence from Lord Wakeham in which he expresses his regrets at the way in which the PCC has sometimes conducted itself and makes suggestions for the future, and the further four pages of requirements, which all of us hope that the PCC will take seriously? The Government have willed that the press have a further round of drinks in the last chance saloon—let us hope that it is not business as usual in all parts of the bar.

Mrs. Bottomley: I thank my right hon. and learned Friend for welcoming me to a post that he held with such distinction and, indeed, to a post that he was the first to hold. He well understands the tension created by this issue. The freedom of the press is vital to our democracy, but the needs of the public to have their privacy protected are also urgent. The correspondence set out in the document gives strong grounds for encouragement. I remind the House, however, that I do not rule out legislation for all time; I am simply saying that it is the Government's view that this is the right way forward in the present circumstances.

Mr. Barry Jones (Alyn and Deeside): What sums of money have been considered for compensation? Will the right hon. Lady acknowledge that large sums of money will be needed for deterrence, and does she understand that hon. Members on both sides of the House are disappointed with the measures that she proposes?

Mrs. Bottomley: I cannot go into detail about the sums of money, but I have to say that I believe that the real deterrent will be the threat of dismissal for those journalists or editors who flout the code of practice.

Mr. Edward Garnier (Harborough): Today may not be the best time to have a dispassionate debate about privacy and the freedom of the press, but does my right hon. Friend accept that the fact that, although a breach of privacy is easy to recognise, it is difficult at law to define what privacy is, should not prevent us from seeking to do so?

Would my right hon. Friend therefore reconsider Calcutt I and ensure that that comes into force, as recommended by the Calcutt committee, as soon as possible? If she is not minded to do that, would she, when considering the powers of the Press Complaints Commission, allow it not simply the power to award damages out of some fund, but the power to award damages against the newspapers and to make those awards enforceable at law?

Mrs. Bottomley: I thank my hon. and learned Friend for his suggestions. When he has time to read the document in detail, he will see set out the intractable and complex issues involved. I want progress on the compensation fund, and I shall pass on his comments to Lord Wakeham for further consideration.

Mr. Bryan Davies (Oldham, Central and Royton): Would not the moral basis of the House for dealing with that section of the press that obviously represents the worst of journalism be immeasurably increased if a Freedom of Information Act were on the statute book? Will that not require the election of a different

[Mr. Bryan Davies]

Administration from the present one—one who also will be able to direct attention to the abuses that our constituents suffer as a result of the malpractices by sections of the press at present?

Mrs. Bottomley: The hon. Gentleman refers to a Freedom of Information Act. He knows full well that we applaud the ends but not the means. That is why there has been such substantial progress on the White Paper on open government, which has been developed throughout Government Departments—not least, as I said earlier, in the Department for which I previously had responsibility.

Mr. Michael Fabricant (Mid-Staffordshire): I congratulate my right hon. Friend on her appointment and on at least giving some dentures to what has previously been a toothless bulldog—the Press Complaints Commission.

I do not understand, however, why my right hon. Friend speaks about intractable difficulties in introducing legislation. Most of the states of the United States have managed it, and they operate under English law. The French have it; the Germans have it; the Italians have it; so why cannot we have it too?

Is not something wrong when in this country members of the press are unable to look into the Robert Maxwell situation—journalist friends of mine knew what Robert Maxwell was up to but were unable to do genuine investigative journalism because of the fear of gagging writs—but they are able to look into the gym of the Princess of Wales?

Mrs. Bottomley: My hon. Friend talks about watchdogs. To quote Lord Wakeham again, he says:

"We are a watchdog with sharp enough teeth to bite the hand that feeds us, or we are nothing."

I quote frequently from him because of the clear determination that we now have to improve the service provided to protect the public.

My hon. Friend referred to the circumstances in France. I believe that, if people examined in detail the laws in France, few would believe that they were appropriate in this country. I believe that there are serious deficiencies in those, which would not be acceptable in our system of parliamentary democracy.

What my hon. Friend said about Robert Maxwell was related to the law of libel, and it identified once again the fact that, even where there is an existing law, it is extremely difficult to ensure that in practice that law tackles every abuse or misuse.

Dr. Norman A. Godman (Greenock and Port Glasgow): Both in her letter to Lord Wakeham and her statement, the Secretary of State spoke rightly about the need to head off potential abuses by way of, presumably, the so-called hotline, which would be available both within and outwith so-called business hours. What kind of measure is that—how practicable and how efficient? How can an ordinary person who is being besieged by so-called journalists from the tabloids prevent an upcoming story from appearing in, for example, a newspaper, in 24 or 48 hours? Surely the right of reply, the apology and the compensation are much more effective deterrents than that hotline.

Mrs. Bottomley: I am not altogether in agreement with the hon. Gentleman because I believe that most people want above all to prevent the material from being published in the first place. Any redress that takes place afterwards is on the basis that the damage has already been done.

The hotline, which would be widely advertised, would ensure that the Press Complaints Commission could indeed make contact urgently with the editors of the newspapers concerned. A help line is already available so that the public may go straight to the editors. We are talking about one in which the Press Complaints Commission would be involved.

There are other examples of progress, such as that prompted by concern for those experiencing grief and shock. The police and Army have a practice of advising people whose relatives have lost their lives in traumatic circumstances. As the report says, we wish to develop that as good practice to ensure that people have the skills, and know where to turn, so that in such circumstances they are able to protect their interests long term, but we want pre-emptive action above all.

Mr. Anthony Coombs (Wyre Forest): Although I recognise the Government's reluctance to legislate, is my right hon. Friend aware of the public revulsion for tactics such as those used by the press in doorstepping the wife of the late hon. Member for Dudley, West, Dr. John Blackburn, only days after his death last November? Although it is important to talk about compensation where the Press Complaints Commission is concerned, would not even that be inappropriate in such circumstances, and is it not more appropriate to talk about penalties that the Press Complaints Commission could levy on recalcitrant newspapers?

Mrs. Bottomley: Once again, my hon. Friend identifies a set of circumstances in which the code of practice recognises that that procedure should not be deployed.

I have to say to those of my hon. Friends who want a statutory approach whereby every misdemeanour is enshrined in legislation as subject to court proceedings or legal activities, that I believe that such an approach would create a monster that we would live to regret. I do not believe that such legislation could be framed for every circumstance. Its administration would be out of all proportion to its benefits and there are, as I have said, severe difficulties about the public interest defence and about the development of show trials, which in many ways exacerbate the misery that causes them.

Mr. David Ashby (Leicestershire, North-West): Does my right hon. Friend realise that, as a mark of the attitude that the House and Members of the House have towards the press and the great fear that they have, I have been strongly advised not to intervene or to ask any questions for fear that the press, who are up there in the Press Gallery, will start terrorising me again, as they did a year and a half ago and as they did all last week?

Most Members of the House feel that the Government are taking a thoroughly gutless and supine approach, that we should break up the press and that we should have a privacy law.

Is my right hon. Friend aware that most people cannot obtain legal aid and simply cannot afford to sue in a libel action? I had cause to monitor the press for about six weeks, and I found that it was not wealthy or public figures who were libelled day after day, but perfectly ordinary people, whose lives were being shattered by the press. We should

be protecting those people just as much as people who are in the public eye. They have no recourse at all; nothing that we do helps them. We really must have some type of privacy law to protect people like that.

We must also break up the press. Is my right hon. Friend aware that papers such as *The Sunday Times* do not fire the shots? They put the information through to *The Sun* down to *Today*, and *Today* fires the shots. It is a rotten rag. I do not suppose that anybody in this Chamber reads it. We should break up the monopoly of the Murdoch press. The Labour party will not do that—it is off to Hayman Island with Murdoch.

Mrs. Bottomley: My hon. Friend speaks with great emotion and strength of feeling, for good reason. I have great sympathy with his comments and respect them. My hon. Friend and many other hon. Members—either for themselves or for the sake of their families—feel bruised and scarred by personal experience of the press behaving reprehensibly. My hon. Friend is concerned about not only those of us in public life, who elected to stand for public office but whose privacy should not be as curtailed as some might wish.

My hon. Friend spoke about the accessibility of procedures for men and women throughout the country. He speaks as a lawyer. Many people do not feel that the legal processes, however defined, would be user friendly, easily accessible and flexible as a means of redress. It matters that the Press Complaints Commission acts swiftly and flexibly—without great cost to users—to prevent wrongdoing before it happens. Anything after the event is after the damage. Surely we should be pressing most vigorously for pre-emptive action.

Mr. Chris Smith: Does not the Secretary of State realise that her statement has received virtually no support from any part of the House? In the light of hon. Members' response and our lack of confidence that the right hon. Lady's proposed steps will give any real protection to the privacy of ordinary people or enhance the legitimate freedom of journalists and the media, will the right hon. Lady withdraw her proposals and think again?

Mrs. Bottomley: After a two-year delay in responding to the Select Committee's report, I do not believe that the House would want me to think yet again. Having considered the complex and difficult matters in question at great length, the Government have set out their decision. We do not rule out legislation for all time, but we believe that the changes in hand and those that we are requiring from the Press Complaints Commission offer the prospect of better protecting the public.

This debate has largely concerned the national press. There are many regional and local newspapers throughout the country. If a statutory approach were adopted for the local and regional press, that would have a profoundly adverse effect on many of those people whom a few of us, in our constituency capacities, wish to criticise. They are also part of the picture.

Several hon. Members *rose—*

Madam Speaker: We must now move on.

Sir Michael Marshall (Arundel): On a point of order, Madam Speaker. In 21 years, I have never sought to challenge the Chair, but I seek your guidance. Those of us who wanted to raise on behalf of our constituents—the little people against the big battalions—the invasion of privacy in recent months are naturally frustrated that we have not caught your eye, Madam Speaker. Can you give some assurance that you will seek to take into account those of us who have been unable to catch your eye today, when the matter is considered again—as I believe it must?

Madam Speaker: The hon. Gentleman is correct. I have a list of hon. Members who have not been called. I am as frustrated as the hon. Gentleman, and I am glad that he raised the matter. I have listened for more than an hour, and at the beginning I hoped to call all hon. Members who were seeking to catch my eye. Although I intervened, many hon. Members insisted on making long statements, and there were long answers from the Dispatch Box. When that happens, I am unable to call all hon. Members who rise. The answer lies to a large extent with Back Benchers, as with the Secretary of State—who often gives long answers.

Orders of the Day

CONSOLIDATED FUND (APPROPRIATION) BILL

Order for Second Reading read.

Question, That the Bill be now read a Second time, *put forthwith pursuant to Standing Order No. 54 (Consolidated Fund Bills), and agreed to.*

Question, That the Bill be now read the Third time, *put forthwith, and agreed to.*

Bill accordingly read the Third time, and passed.

SITTINGS OF THE HOUSE

Motion made, and Question put forthwith pursuant to Order [19 December],

That this House, at its rising on Wednesday 19th July, do adjourn till Monday 16th October.—[*Dr. Liam Fox.*]

Question agreed to.

Licensing (Sunday Hours) Bill

Lords amendments considered.

Clause 1

PERMITTED HOURS IN LICENSED PREMISES

Lords amendment: No. 1, in page 1, leave out lines 15 to 17 and insert—

("(3) In subsection (6) (off-licences), the words "or Good Friday" shall be omitted and at the end of that subsection there shall be added the words "and the permitted hours on Sundays, other than Christmas Day, shall begin at ten in the morning".")

5.15 pm

The Parliamentary Under-Secretary of State for the Home Department (Mr. Nicholas Baker): I beg to move, That this House doth agree with the Lords in the said amendment.

Mr. Deputy Speaker (Sir Geoffrey Lofthouse): With this, it will be convenient to discuss Lords amendment No. 2.

Mr. Baker: The amendment to clause 1, and the consequential amendment to schedule 2, will make the hours that off-licence shops may sell alcohol on Good Friday 8 am until 10.30 pm, rather than 10 am to 10.30 pm as the Bill provided when it passed from the House to another place. There are no restrictions on the hours when shops such as supermarkets may open on Good Friday, and many supermarkets open quite early on Good Friday morning. A starting time for off-licence hours of 10 am would therefore mean that between, say, 8 o'clock or 8.30 am and 10 am, supermarkets would have to cordon off their stocks of alcohol to prevent sales taking place. That is precisely the kind of practice that the Bill is intended to do away with and is a source of understandable annoyance to shops and shoppers.

The Government propose that the amendments should be accepted. As Good Friday is a religious festival, we accept that there may be issues of conscience. We therefore envisage a free vote, in the event of the amendment being pressed to a Division.

Mr. George Howarth (Knowsley, North): The issue is not, contrary to the Minister's remarks, enormously important or controversial. The Sunday question was settled in November 1993, with the introduction of the Sunday Trading Bill, when hon. Members who wanted Sunday kept a special day effectively lost the argument.

Speaking in favour of the amendment for the Opposition in another place, Lord McIntosh said that it was a tidying-up measure—and the Minister accepted that argument. Amendment No. 1 will allow supermarkets with off-licences to start selling alcohol on Good Friday between 8 am and 10 am—a provision that the original Bill excluded. Consequently, alcohol will be treated in the same way as other products. For the Government, Lady Blatch drew a distinction between licensing law and ordinary Sunday trading law, emphasising that Good Friday is an important day in the Christian calendar. There has since been a change of heart by the Government, but both Lord McIntosh and the Minister in the other place made it plain that the issue was best left to individual conscience and to a free vote. On balance, I am inclined

to support the amendment if the House divides. However, my hon. Friends are perfectly free to follow their own consciences.

Mr. Michael J. Martin (Glasgow, Springburn): I am not inclined to oppose the amendments, but I hope that the Government will bear it in mind that some people live in tenemental property above shops. Often, they do not enjoy the rest to which they are entitled. The situation is different for people living in a semi-detached property or in a four-in-a-block house with no shops underneath. Residents living in tenemental property over shops in which alcohol is sold find that buyers often drink their purchases on the premises.

Dr. Norman A. Godman (Greenock and Port Glasgow): The complaint that my hon. Friend has outlined has been brought to me by many of my constituents. Traditionally, the only day of freedom from the public drinking that my hon. Friend has described, from the entering and leaving of shops, has been Sunday. That freedom is disappearing and many of my constituents will not get a day of rest from public drinking.

Mr. Martin: I agree with my hon. Friend and take his point.

Where alcohol is being purchased, especially from shops above which people are living in tenemental properties, there should be more policing to ensure that those who purchase it move on to their homes or to other places so as to give peace and quiet to those living above liquor shops.

Young people sometimes congregate in what we in Glasgow call the close mouth of a tenement. Sometimes they consume alcohol and urinate in the closes. Even on a Sunday, residents of some tenements do not get any rest. In some instances, they are embarrassed to bring their friends and relatives to their homes. They are often well-kept homes—indeed, palaces. If there are people loitering in the close mouth, residents do not want their friends and relatives to visit. In the old days they used to get a good Sunday. Now they will not get a Good Friday. I ask only that some consideration be given to residents of tenements.

Lords amendment agreed to.

Lords amendment No. 2 agreed to.

Child Support Bill

Lords amendments considered.

Clause 1

APPLICATIONS FOR DEPARTURE DIRECTIONS

Lords amendment: No. 1, in page 1, line 26, leave out from beginning to end of line 6 on page 2.

5.21 pm

The Parliamentary Under-Secretary of State for Social Security (Mr. Andrew Mitchell): I beg to move, That this House doth agree with the Lords in the said amendment.

Mr. Deputy Speaker (Sir Geoffrey Lofthouse): With this, it will be convenient to discuss Lords amendment No. 3.

Mr. Mitchell: Amendment No. 1 concerns the time limit for making a departure application. The amendment deletes subsection (4) of new section 28A of the Child Support Act 1991 inserted by clause 1 and removes the time limit for applications. Applicants would be able to apply for a departure at any time.

I should remind the House of our original purpose in including a time limit for application for a departure direction. Our intention was to reduce as far as possible the period of uncertainty both for the person with care and for the absent parent while there was still a possibility of a change to the amount of maintenance fixed by the assessment. We wanted to avoid delays in applications, but we always agreed that if there were good cause for a late application, it should be accepted. We felt that it would be unfair to the other party if either the absent parent or the person with care were able, perhaps after a considerable period, to request a departure direction that would affect the amount of maintenance due right back to the date when liability first started.

We accept that it would be unfair to exclude someone from any chance of a departure because he or she had failed to act promptly. We have therefore accepted a compromise solution. The proposal is that an application made later than 28 days from the issue of a maintenance assessment will be accepted even if there is no good cause for the delay. Any direction that results, however, will not be backdated beyond the date of application. We shall achieve that by bringing forward regulations under subsection (4) of new section 28G as introduced by clause 7.

Amendment No. 3 is consequential to No. 1. New section 28I, as introduced by clause 9, contains a reference to subsection (4) of new section 28A, which has been removed by amendment No. 1. Amendment No. 3 removes the reference, which is now redundant. The amendments represent a sensible way forward and I commend them to the House.

Mr. Keith Bradley (Manchester, Withington): I welcome the Minister to the Dispatch Box in his new duties, especially as his first speech on the Child Support Bill is designed to tell the House that the Government are prepared, in effect, to accept an amendment that I moved in Committee, which would have had the same effect as the Lords amendment. It is pleasing that, as a result of the pressure that has been imposed in another place, the

[Mr. Keith Bradley]

Government have reconsidered their position. In the Minister's explanation, I think that I could hear my very words being spoken in justifying my amendment in Committee. I am pleased that a time limit will not be imposed. I am pleased also that the concession has belatedly been accepted by the Government.

Mr. Michael J. Martin (Glasgow, Springburn): I support the amendment. It is not only fathers, however, who are not paying maintenance.

I have written to the Department about one of my constituents who, because of certain circumstances, allowed her husband to look after her children. After 10 years, her circumstances have changed to the extent that she holds down a good job. At the same time, she looks after the children almost every night. In the evening, however, she takes the children to the father's house. During weekends, she takes the children and looks after them. She works early in the morning in a fruit market and is required to ensure that someone sends her children to school.

It appears to me that the father is only a glorified babysitter and that the mother is facing her duties. The Child Support Agency has ruled that she must pay a substantial proportion of her earnings to the husband. Surely that is extremely unfair. Perhaps the Minister will look into the matter with a view to future amendment of the Bill.

Mr. Andrew Mitchell: I thank the hon. Gentleman for his intervention, which I shall bear in mind. If he writes to me with specific details, I shall consider the matter carefully.

Mrs. Gwyneth Dunwoody (Crewe and Nantwich): I, too, welcome the Minister to his new position. I am sure that he will fill it with energy and commitment.

I ask the hon. Gentleman seriously to consider departures and time. I have four constituency cases at the Child Support Agency, of which two would have benefited from departures on Saturday. If we are not careful, those who are least able to afford the consequences will be caught, rightly up to a point, by maintenance orders. Those who are able to say that they are self-employed, for example, will avoid having to make payments. In those circumstances, the low-paid in second marriages will be in real trouble if a partner of the first marriage is able to announce that he or she is self-employed. Departures will be extremely important. I hope that the Minister will bear that in mind when thinking about implementation.

Ms Liz Lynne (Rochdale): I welcome the Minister to his new post, which I consider to be a poisoned chalice. I also welcome the amendments. I wish that the Government had seen fit to accept more amendments, especially those tabled in another place.

Mr. Andrew Mitchell: The hon. Member for Crewe and Nantwich (Mrs. Dunwoody) raised important points about the workings of the departure system. She will know that we intend to pilot the departure system from next April. We are determined to get the system right, and all points will be carefully taken on board. I hope that the hon. Lady will approve of the piloting system as a means of achieving our goal.

Lords amendment agreed to.

Lords amendment: No. 2, in page 2, line 17, at end insert—

("(7) Schedule 4A has effect in relation to departure directions.'")

Mr. Andrew Mitchell: I beg to move, That this House doth agree with the Lords in the said amendment.

Mr. Deputy Speaker: With this, it will be convenient to discuss Lords amendments Nos. 4, 11 and 13.

Mr. Mitchell: These are all minor drafting amendments. Lords amendment No. 2 is a minor but necessary drafting repair, which inserts a new subsection into new section 28A, as introduced by clause 1 of the Bill. New schedule 4A of the 1991 Act is inserted by clause 1(2) of the Bill, but no mention of it is made—as it should be—by new section 28A of the 1991 Act, which is inserted in clause 1(1); the amendment rectifies that omission, and I commend it to the House.

5.30 pm

Lords amendment No. 4 resolves a minor technical inconsistency in the wording of clause 19, which occurred when an amendment was made to the clause on Report in the House of Commons. Clause 19 addresses the problem that the making of a deliberately spurious claim for benefit will allow a parent with care to come within the jurisdiction of the Child Support Agency, when in fact she will not be within its jurisdiction because she has a written maintenance agreement made before 5 April 1993 or a court order for maintenance. Subject to certain safeguards, the provision requires the Secretary of State to treat the application for child support maintenance as if it had not been made if he becomes aware that the benefit claim has been withdrawn or disallowed.

As originally drafted, clause 19 referred to "the person with care", but it later referred to the same individual as "the parent with care". The amendment corrects that minor inconsistency by using the phrase "the parent with care" in both instances.

Lords amendment No. 11 is a clarification of an earlier amendment introduced in Committee in the House of Commons. The Bill as originally drafted made provision for regulations made under paragraphs 4 and 5 of schedule 4D of the Bill as originally introduced to be subject to affirmative procedures. However, prompted by an Opposition amendment to reconsider the schedule, we judged that it would be right for all regulations made under it to be approved by both Houses before coming into effect.

It is possible that the amended wording of section 52(2) of the 1991 Act could be interpreted to mean that affirmative procedures apply only to regulations made under part I of schedule 4B, but that was neither the Opposition's intention nor ours. The proposed amendment would put the matter beyond doubt, and I commend it to the House.

Lords amendment No. 13 is a minor technical amendment that rectifies omissions from the 1991 Act, which currently refers only to "part I" and "part III" of the House of Commons Disqualification Act 1975, and does not indicate to which schedule the parts belong. The amendment makes it clear that it is parts I and III of schedule 1 to the 1975 Act that are amended. The amendment also rectifies a similar omission from the

parallel amendment to the Northern Ireland Assembly Disqualification Act 1975, where again the relevant schedule is not indicated. I commend it to the House.

Mr. Bradley: I am grateful to the Minister for recognising the necessity for these drafting amendments, which we have pointed out before—especially in regard to Lords amendment No. 11, which clarifies the affirmative procedure. We have always said that, as Bills now rely so much on regulations, affirmative procedures should be adopted whenever possible, and with clarity.

Lords amendment agreed to.

Lords amendments Nos. 3 and 4 agreed to.

Clause 21

FEES FOR SCIENTIFIC TESTS

Lords amendment: No. 5, in page 16, line 31, after ("out") insert

("(otherwise than under a direction or in response to a request)")

Mr. Andrew Mitchell: I beg to move, That this House doth agree with the Lords in the said amendment.

Mr. Deputy Speaker: With this, it will be convenient to discuss Lords amendment No. 6.

Mr. Mitchell: Clause 21 provides for the Secretary of State to recover DNA test fees that he has paid in connection with a paternity dispute when the alleged parent either admits paternity or is adjudged to be the father by a court. Lords amendments Nos. 5 and 6 restrict that power so that, when a court has ordered or requested that the test should be taken, the Secretary of State must apply to the court for the fees to be included in costs awarded to him if he is successful in establishing paternity.

The Government introduced the amendments in another place, because we recognised that it would not be right for officials acting for the Secretary of State to be able to recover DNA test fees when a judge also has discretion to award those fees as part of the court costs. Lords amendment No. 5 acknowledges the important principle that officials should not be able to bypass the courts' discretion to award costs, and I commend it to the House.

Mr. Bradley: We welcome the concession made by the Government. Although the Minister said that they introduced the measure in another place, I think that it relied on an amendment that we tabled in Committee to alter the original Bill. Despite his apparent unwillingness to commend the Opposition's approach, however, we welcome the Government's belated recognition that this is a sensible approach to the recovery of fees.

Lords amendment agreed to.

Lords amendment No. 6 agreed to.

Clause 23

REPAYMENT OF OVERPAID CHILD SUPPORT MAINTENANCE

Lords amendment: No. 7, in page 18, line 49, at end insert—

("(6A) For the purposes of this section any payments made by a person under a maintenance assessment which was not validly made shall be treated as overpayments of child support maintenance made by an absent parent.")

Mr. Andrew Mitchell: I beg to move, That this House doth agree with the Lords in the said amendment.

Clause 23 makes provision for the Secretary of State to reimburse overpaid maintenance in cases where it is not possible or appropriate to deal with the overpayment by means of a reduction in the current maintenance assessment. It was always the intention that overpayments arising in any circumstances should be covered by the provisions; it became clear, however, that the clause as drafted did not cover cases in which an overpayment arose as a result of an invalid assessment.

Invalid assessments can arise in a number of ways. For example, it may be established following a review or appeal that the Child Support Agency has no jurisdiction to make an assessment. Such cases might include those in which the absent parent was not habitually resident in the United Kingdom, there was no qualifying child or there was already a written maintenance agreement made before 5 April 1993. Cases might also arise in which the absent parent accepted paternity at the time the assessment was made, but subsequently disputed it and was found not to be the father.

We do not expect many such cases, but it has always been the intention for them to be included within the provisions of the clause. The amendment agreed to in another place ensures that that policy intention is fulfilled. Without it, absent parents who had overpaid because of invalid assessments might find it difficult to recover those payments. I hope that this House, too, will agree that the amendment is needed.

Mr. Bradley: May I seek clarification of one point? Will the Minister confirm that the amendment deals only with cases in which the CSA itself will refund the overpayment, and not circumstances in which maintenance has been paid to the parent with care and there is an expectation that the parent with care will be responsible for repaying the money to the absent parent? If that is so, we shall be happy to accept the amendment.

Mr. Mitchell: I think that I can go a long way towards meeting the hon. Gentleman's concerns. I can confirm that in cases in which an absent parent is reimbursed maintenance overpaid as a result of official error, careful consideration will be given to whether the parent with care should be required to repay that amount. All the facts surrounding the overpayment will be taken into account, and in cases in which it was due wholly to error by the CSA, it is unlikely that the parent with care would be required to repay.

It is, however, right that there should be flexibility to consider all cases. In many instances, for example, a number of different factors may have contributed to the overpayment. We do not therefore believe that it would be appropriate to legislate specifically for official-error repayments.

Lords amendment agreed to.

Clause 30

SHORT TITLE, COMMENCEMENT, EXTENT ETC.

Lords amendment: No. 8, in page 22, line 40, leave out ("paragraph 1") and insert

("paragraphs 1, 15A, 15B and 15C")

Mr. Andrew Mitchell: I beg to move, That this House doth agree with the Lords in the said amendment.

Mr. Deputy Speaker: With this, it will be convenient to discuss Lords amendments Nos. 12 and 14.

Mr. Mitchell: Northern Ireland has its own child support scheme, under separate Northern Ireland legislation, paralleling the Great Britain scheme. Therefore, few provisions of the 1991 Act or of the Bill—which will become the Child Support Act 1995—apply to Northern Ireland. Those that do apply need to be listed in what will become subsection (6)(c) of section 30 of the 1995 Act.

Amendment No. 8 is a technical amendment that will enable the provisions in paragraphs 15A, 15B and 15C—inserted by Lords amendment Nos. 12, 13 and 14—to extend to Northern Ireland.

Amendment No. 12 inserts paragraph 15A in schedule 3, which introduces a provision for help with travelling and other expenses for people who are required to attend child support commissioners' oral hearings. Such a provision already exists in social security legislation, but due to oversight, no similar arrangements were made in the Child Support Act 1991. The proposed new paragraph to be added to schedule 4 to the 1991 Act by means of the amendment to schedule 3 to the Bill, will achieve a consistent approach.

Our colleagues in Northern Ireland propose to introduce legislation along those lines for their own purposes in due course. Therefore, the amendment proposes an amendment to paragraph 8 of schedule 4 to the 1991 Act, to prevent provision for travel and other expenses from applying to Northern Ireland. I am sure that hon. Members will agree that this is a worthwhile amendment, which rectifies an omission in the 1991 Act. When dealing with amendment No. 13, I explained the effect of the minor drafting amendment in paragraph 15B, which also needs to extend to Northern Ireland.

Amendment No. 14 inserts paragraph 15C in schedule 3, which enables issues arising from the child maintenance bonus scheme to be considered by the Social Security Advisory Committee. It was never our intention to exclude the child maintenance bonus scheme from the scrutiny of the committee. The amendment makes sure that issues arising from that scheme, which is set up under clause 10 of the Child Support Bill, can be dealt with by the Social Security Advisory Committee. That is achieved by amending the definition of enactments in section 170(5) of the Social Security Administration Act 1992 in relation to which the Social Security Advisory Committee can give advice and assistance, to include section 10 of the 1995 Act. A similar change is made to the definition of the Northern Ireland enactments on which the Social Security Advisory Committee can give advice and assistance, including on any enactment corresponding to section 10 of the 1995 Act.

I commend the amendments to the House.

Mr. Bradley: We welcome the amendments and the fact that travelling expenses will be paid for attendance at oral hearings. That brings such hearings into line with similar hearings under social security legislation. We also welcome the fact that the child maintenance bonus can be referred to the Social Security Advisory Committee for its deliberations and comments. I hope that the valued advice that that committee gives to the Minister about the Child Support Agency is accepted more readily than many of the committee's current recommendations on other social security matters.

I refer especially to the withdrawal of income support for mortgage interest payments. The committee was clear that the Government should not proceed with that, but despite that advice and a wealth of other information, the Government pig-headedly went ahead. I hope that in this case, they will listen carefully to the committee's advice. With that caveat, we welcome the amendments.

Lords amendment agreed to.

Schedule 3

MINOR AND CONSEQUENTIAL AMENDMENTS

Lords amendment: No. 9, in page 29, line 33, at end insert—

(". In section 33 (liability orders), at the end add—

"(5) If the Secretary of State designates a liability order for the purposes of this subsection it shall be treated as a judgment entered in a county court for the purposes of section 73 of the County Courts Act 1984 (register of judgments and orders).")

The Minister for Social Security and Disabled People (Mr. Alistair Burt): I beg to move, That this House doth agree with the Lords in the said amendment.

The amendment gives the Secretary of State power to apply for a liability order to be entered in the register of county court judgments. Hon. Members may be aware that when an absent parent fails to pay maintenance liability and arrears have built up, the Child Support Agency will make every effort to reach an agreement to repay. If the absent parent refuses to reach such an agreement or reneges upon it, enforcement action must be considered.

In the majority of cases, the first stage in that process is likely to be a deduction from earnings order. However, when that fails or when it cannot be imposed—for example, when the absent parent is self-employed—the agency will ask a magistrates court to make a liability order. There is always a hearing before such an order is granted. A liability order can lead to distress action or to a garnishee or charging order. The amendment will allow an alternative course of action—the placing of the order on the register of county court judgments.

An entry in the register can lead to difficulties for an individual if he seeks credit for personal or business purposes. Experience in other areas has shown that, for that reason, the threat of an entry in the register is an incentive to debtors to pay their liabilities, especially if they are self-employed.

As I said, liability orders are needed only in cases where the absent parent has refused to pay his legal liability and will not co-operate on the repayment of arrears. Absent parents have it within their own hands to avoid a liability order and entry in the register. I stress that liability orders will not be entered automatically in the register. The absent parent will be given ample opportunity to change his mind and co-operate with the agency before it takes the step of having the liability order entered in the register of county court judgments.

Even before an application for a liability order is made to the magistrates court, the absent parent will be advised that if the order is granted, the debt may be entered on the register. When the liability order is granted, he will be given a further warning that registration will be

considered if arrangements to meet the liability have not been made within a reasonable period. Therefore, the absent parent can easily avoid the consequence of registration by co-operating and meeting his obligations on child maintenance even after a liability order has been obtained.

5.45 pm

It is regrettable that there are some obstructive absent parents who deliberately attempt to delay or avoid their responsibility to their children. It is right for us to do all that we can to ensure that parents with care receive promptly the payments to which they are entitled. Our experience of enforcement to date has been such that we think that the extra power would be useful. We took advice from those who regularly deal with such matters, as the House had wished us to do.

I hope that the House agrees that the amendment provides a further effective means of enforcement in cases where absent parents seek to evade their liabilities. I thank all those who have worked so hard in recent years to make what will be the Child Support Act 1995 more workable. That includes Opposition and Government Members, people outside who work on policy developments and people in the agency. I hope that the amendments and the Bill are evidence that the Government have listened to concerns and that they will give the assurance that the Government will continue to listen to representations about problems related to child support. Over the next couple of years, we hope to see improvements built upon the hard work that has been so patiently done by so many.

Mr. Bradley: No one would deny the Minister an opportunity for a reprise on the Child Support Agency. He is already looking 10 years younger than when he was last at the Dispatch Box. I am grateful for his explanation about the introduction of the liability orders. There is a clear need to be even-handed in our approach to the employed and the self-employed and we must ensure that, where possible, there is co-operation on these matters. I am grateful for the assurance that the liability order will not automatically be placed on the register, because the fact that the matter is now in legislation means that there is more likelihood of the self-employed person making his maintenance payments. In that context, we support the amendment.

Lords amendment agreed to.

Lords amendment: No. 10, in page 29, line 46, at end insert—

(". In section 46(5) (circumstances in which child support officer may give a reduced benefit direction), after "may" insert ", except in prescribed circumstances,".")

Mr. Andrew Mitchell: I beg to move, That this House doth agree with the Lords in the said amendment.

A parent with care who receives or whose partner receives a relevant benefit must give her authority for child maintenance to be sought from the absent parent if she is required to do so by the Secretary of State. If she refuses to give her authority without good cause, section 46 of the Child Support Act 1991 provides that her benefit may be reduced.

The amendment was tabled in another place in response to an Opposition amendment. It would enable the Secretary of State to prescribe the circumstances in which the benefit reduction should not apply, thus adding flexibility to the provisions relating to reduced benefit deductions, which already allow for a direction to be suspended.

We listened to what was said in another place and are persuaded that where a parent with care or any child living with her is disabled, the benefit reduction may cause particular hardship. Therefore, we intend to introduce regulations as soon as practicable to exempt parents in such circumstances from the reduced benefit direction. The Government have also undertaken to introduce regulations at the same time, to suspend the reduced benefit direction in cases where the parent with care has deductions made from her income support—for example, to repay fuel debts or rent arrears. The benefit reduction is intended to make the parent with care think carefully about her decision not to co-operate, and the Government think that that is right. The amendment will mean that in specific circumstances, where the reduction could cause particular hardship, the reduced benefit direction will not be imposed. I invite hon. Members to accept the amendment.

Mr. Bradley: I am grateful for the Minister's explanation of the amendment. Clearly, however, we shall need to see the precise wording of the regulations to be able to determine how they will work in practice and who will be covered by them. Yet again, as we said on several occasions in Committee, we need to see and debate the details of the regulations before we can be certain that they cover the points raised not only in the other place, but in Committee.

We are pleased that the Bill is about to complete its passage. We were supportive in the way in which we tabled amendments to the Bill, particularly in terms of the departure direction, and we have facilitated its progress. However, we are still extremely disappointed that the Government have not yet agreed to another fundamental change—introducing a proper child care disregard to make the legislation truly put children first, by making an additional amount available to the parent with care who so desperately needs the money, rather than having all the money absorbed by the Treasury.

There is continuing concern, as shown in the evidence that is being compiled, about the operation of the agency. Recent evidence to the Public Accounts Committee was extremely disturbing in terms of what it showed about the amount being collected and the amount passing from the absent parent to the parent with care.

The Labour party will continue vigorously to monitor the operation of the Act, to ensure that the further amendments that will be required to ensure equity and fairness in the system are brought forward at the earliest opportunity. Although we have facilitated the passage of the Bill, that does not mean that we are satisfied with the operation of the agency or that we are satisfied that the legislation covers all the aspects necessary to ensure that the principle we support—that all parents should take responsibility for the upbringing of their children—is properly defined within legislation.

We shall continue to monitor and look carefully at all aspects of the Act, including the way in which it is administered through the agency, to ensure that there is even-handedness and fairness between the parent with care and the absent parent. We also need to ensure at the end of the day that the real beneficiaries of child support legislation are the children who so desperately need the

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income to maintain a proper living standard and that the parents caring for them, especially those on income support, are not kept in poverty because of the Government's failure to recognise a proper child care disregard.

Mr. Andrew Mitchell: I am grateful to the hon. Gentleman for what he said about the Bill. I am sorry that we were unable to persuade him of the superior benefits of the child maintenance bonus. I have, however, heard what he has said—indeed, I heard it throughout the Committee stage when I was the Government Whip responsible for the Bill. I am, therefore, very familiar with his arguments.

The hon. Gentleman emphasises the importance of the administration of the agency getting better and rendering the service to the parent with care, the absent parent and the taxpayer that we all expect. That is a point that is well made and an aspiration with which hon. Members on both sides will agree.

Lords amendment agreed to.

Lords amendment No. 11 agreed to.

Lords amendment No. 12 agreed to [Special Entry].

Lords amendments Nos. 13 and 14 agreed to.

Criminal Appeal Bill

Lords amendments considered.

New clause

RECOMMENDATION IN CASE OF LIFE SENTENCE FOR MURDER

Lords amendment: No. 1, after clause 2, to insert the following new clause—

Recommendation in case of life sentence for murder

(". After section 11 of the 1968 Act insert—

"Appeal against recommendation

Appeal against recommendation in case of life sentence for murder.

11A.—(1) Where under section 1(2) of the Murder (Abolition of Death Penalty) Act 1965 a court has made a recommendation to the Secretary of State as to the minimum period which should elapse before he orders the release on licence of a person convicted of murder, the person may appeal to the Court of Appeal against the recommendation.

(2) Subject to subsection (3) below, an appeal under this section lies only with the leave of the Court of Appeal.

(3) If the court which made the recommendation grants a certificate that the case is fit for appeal under this section, an appeal under this section lies without the leave of the Court of Appeal.

(4) On an appeal under this section the Court of Appeal, if they consider that a different recommendation should be made, may—

(a) quash the recommendation; and

(b) in place of it declare the period which they recommend to the Secretary of State as the minimum period which should elapse before he orders the appellant's release on licence."")

5.54 pm

The Secretary of State for the Home Department (Mr. Michael Howard): I beg to move, That this House doth disagree with the Lords in the said amendment.

Mr. Deputy Speaker (Sir Geoffrey Lofthouse): With this, it will be convenient to discuss Lords amendment No. 46 and the Government motion to disagree.

Mr. Howard: The purpose of the motion is to remove a clause added to the Bill in the other place. The new clause was added by a majority of 16 on Report, against the advice of my right hon. Friend the Minister of State.

The new clause relates to the mandatory life sentence imposed on those convicted of murder. As the House knows, in such cases it is open to the trial judge, when passing sentence, to make a recommendation to the Secretary of State about the minimum period of imprisonment to be served. The judge is not obliged to do so and in practice, formal recommendations are made only in a minority of cases. The new clause would provide a right of appeal against a recommendation made in open court.

When the amendment was debated in the other place, those who spoke in its favour argued that it would rectify an anomaly between discretionary and mandatory life sentences. They believed that it would introduce greater openness into the tariff-setting process and they claimed that it would have no bearing on the role of the Secretary of State, whom Parliament has entrusted with the final decision about tariff in mandatory life sentence cases.

I have considered the arguments with great care, in deference to the noble Lords who spoke in favour of the new clause. However, I remain firmly of the view that the proposed right of appeal is not only unnecessary, but would introduce anomalies of its own into the tariff-setting procedure.

I would like to start by explaining exactly how the tariff—which is the minimum period required for retribution and deterrence—is now set in mandatory life sentence cases. The procedures were substantially overhauled in 1993 following the judgment of the House of Lords in the Doody case. I hope that the House agrees that for the prisoner, the current system is anything but secretive—indeed, it is extremely open.

In every case where an offender is convicted of murder, the trial judge completes a detailed report on the background to the case. Whether or not he has made a formal recommendation in open court, the judge sets out his advice on the minimum period that should be served for retribution and deterrence. This report goes first to the Lord Chief Justice, who adds his own comments and then forwards the report to me. All this normally happens within two or three weeks of the conviction.

The whole of the report, apart from opinions about future risk, is disclosed to the prisoner, together with any other relevant papers, such as details of previous convictions, which will be put to Ministers in due course. This means that in practice, the prisoner sees everything that is relevant to the setting of the tariff.

The prisoner is given the opportunity to make any representations he wishes on the judicial recommendations and the other contents of the report. It is, however, made clear to him that the judicial views are advisory and that the tariff will be set by the Secretary of State. The prisoner's representations, along with the judicial report, are then submitted to Ministers, who make the decision on tariff. This is communicated to the prisoner.

If, after considering the judicial advice and the prisoner's representations, I decide that a tariff higher than that recommended by the trial judge is required for deterrence and retribution, the prisoner is given detailed reasons for that decision and these reasons are, of course, open to scrutiny by the courts by way of judicial review.

To summarise, the prisoner is aware of the judicial view and has the opportunity to make representations. He is then told of the tariff set. If there is any departure from the judicial advice, he is given detailed reasons. Once the prisoner has been informed of the tariff, we are prepared to disclose both the tariff and the judicial recommendation in individual cases to anyone who asks. The process cannot therefore be described as secretive—it could hardly be more open.

The present procedures are fair, open and sensible. They ensure that proper weight is accorded to the advice of the trial judge, who has heard all the evidence, and the Lord Chief Justice, who can bring his wider experience to bear either to confirm the trial judge's advice or to offer a different view. The prisoner has every opportunity to make informed representations before a decision is taken on tariff. The final decision rests with the Secretary of State, who has been entrusted with that responsibility by Parliament as guardian of the public interest. Like my predecessors, I shall always attach great weight to the advice of the trial judge and the Lord Chief Justice. But I am not bound by it, and in the public interest I can, and do on occasion, take a different view.

6 pm

Those arrangements are working well, and appear to command public confidence. They have recently been scrutinised and upheld by the European Court of Human Rights, and fully reflect the Doody judgment, which I mentioned earlier. Against that background, I now turn to examine the new clause and the right of appeal that it proposes.

First, it is argued that a right of appeal against recommendations is necessary to rectify an anomaly as between mandatory and discretionary life sentences. But there are differences between the two. In the case of discretionary life sentences, the trial judge is now required by statute to specify the "relevant part" of the sentence in open court. That is the minimum period of detention that the prisoner must serve, and there is a right of appeal against the judge's order as to the relevant part.

In the case of discretionary lifers, however, I have no power to modify the relevant part of the sentence or to substitute a different order. It is therefore entirely right that a judge's a decision should be subject to appeal—otherwise it would be unchallengeable.

On the other hand, a formal recommendation in mandatory life sentence cases is just that: a recommendation. It is only one aspect of the tariff-setting process. While I naturally give very careful consideration to any recommendation, and to the views of the Lord Chief Justice, the role of the judiciary in mandatory life sentence cases is purely advisory. The final decision is mine, and my decision is, of course, open to challenge by way of judicial review.

As the trial judge's recommendation is only advisory, I see no good reason for building an appeal procedure around it. The recommendation is only one part of the tariff-setting process and it is not binding, unlike the relevant part in discretionary life sentence cases. The perceived anomaly does not therefore exist.

I said earlier that the proposed right of appeal, instead of resolving an anomaly, would introduce anomalies of its own. For example, the proposed right of appeal would be available where a recommendation had been made in open court, which happens only in a minority of cases. That means that some mandatory life sentence prisoners would have a right of appeal against the trial judge's advice on tariff while others would not, depending on whether the judge made his recommendation in open court or in his report to me.

I am aware that the Lord Chief Justice has said that, if the amendment became law, he would issue a practice direction to judges advising them to use their discretion to make minimum recommendations in all but the most exceptional cases. But I do not believe that it is necessarily good practice to introduce statutory provisions that depend on a practice direction being issued before they can work sensibly. In any event, such a direction would not be binding on judges.

Even if judges made minimum recommendations in all cases—which is entirely a matter for the judiciary—I am not persuaded that there should be a right of appeal against them. Where there are avenues of appeal against sentence, they are, almost without exception, in cases

[Mr. Howard]

where the court has the final word on the subject—where the Executive has no power to substitute a different order. That is not the position here.

A further anomaly is that the Lord Chief Justice has indicated that, if a right of appeal were in place, he would no longer act independently in advising the Home Secretary on tariff lengths. Instead, he would sit in the Court of Appeal in any such case. That would deprive the Home Secretary of a second judicial opinion in cases where there was no appeal by the prisoner against the recommendation. That might be a considerable proportion of cases, and it would certainly include those cases where the judge had erred on the side of an unduly lenient recommendation. That means that, in precisely those cases where it is most necessary for the Secretary of State to consider imposing a longer tariff than that recommended, he would have no second judicial view to help him in reaching a decision.

The present arrangements for setting the tariff in mandatory life sentence cases were substantially overhauled following the judgment of the House of Lords in the Doody case and are working well. They are sensible, fair and open; and they offer the prisoner every opportunity to make informed representations before a decision is made on tariff. The present arrangements ensure that proper weight is accorded to judicial recommendations on tariff, but reflect the fact that Parliament has entrusted the final decision to the Secretary of State. For those reasons, they command public confidence in this highly sensitive category of cases.

I hope that the House will agree that it would be wrong to disturb those arrangements by introducing a new right of appeal that touches on only a part—and not the most significant part—of the tariff-setting process, and which would create anomalies rather than remove them.

Mr. John Hutton (Barrow and Furness): Will the Home Secretary give way?

Mr. Howard: I was about to sit down, but I am happy to give way to the hon. Gentleman.

Mr. Hutton: If the present arrangements are as satisfactory as the Home Secretary says they are, would he care to reflect on the fact that seven out of the 10 Law Lords voted for the amendment moved by the Lord Chief Justice and five former Law Lords also supported that amendment? There would therefore seem to be a judicial consensus that the picture is not as rosy as that painted by the Home Secretary.

Mr. Howard: To a large extent, there is a judicial consensus on the proposition that the whole of our arrangements for mandatory life sentences should be changed and that the Secretary of State should no longer have a role in that decision-making process. I understand that that is not the view of the Labour Front Bench. In a television interview not long ago, the hon. Member for Blackburn (Mr. Straw) expressed his support—

Mr. Jack Straw (Blackburn): A radio interview.

Mr. Howard: I think that I saw him make the same proposition in a television interview as well. Be that as it may, his views on the subject are reasonably clear: like me, he disagrees with the Law Lords' view to which the hon. Member for Barrow and Furness (Mr. Hutton) referred. Although, in supporting this amendment in the other place, those Law Lords disclaimed any intention of addressing, in this context and at this opportunity, the arrangements for mandatory life sentences, one must look at their arguments in the context of their opposition to the present arrangements as a whole. I differ from their views on the present arrangements as a whole, as does the hon. Member for Blackburn. That may be the best answer to the point made by the hon. Member for Barrow and Furness.

For all the reasons that I gave before I gave way to the hon. Member for Barrow and Furness, I invite the House to reject the amendments proposed in another place.

Mr. Straw: The debate is not about the merits of the discretionary versus the mandatory system of life sentences. The Secretary of State anticipated me by referring to remarks which, according to the evidence that he gave on my behalf to the Select Committee on 29 March, I made on Radio 4's "Today" programme on 10 December last year. There is no reason why I should not have repeated those remarks on the television programme, except that I do not remember doing so. In that interview, I expressed my view about where the balance of advantage lay between mandatory and discretionary sentences, and that remains my view.

We shall look carefully, as I hope the Home Secretary will, at the report of the Select Committee that is currently considering this matter. We need to do that because, in the words of Baroness Blatch, the Minister of State, Home Office, speaking in the other place, there should be no suggestion that

"the current procedures surrounding the setting of tariffs should remain immutable."

Having made a strong argument in the other place in favour of the system of discretionary life sentences, Baroness Blatch went on to say:

"There may, however, be a case for greater transparency within those procedures where the general public is concerned."

May I say in parenthesis to the Secretary of State that I am grateful to him for the fact that he set out his views in a letter to me and the right hon. Member for Berwick-upon-Tweed (Mr. Beith) on Friday, because that was very helpful?

I approached this issue from the position of supporting in principle the mandatory life sentence system and I therefore considered the arguments that were advanced with some scepticism. Having done so, I am persuaded of the sense of the amendments moved by their Lordships.

On whether the system can be made more transparent, in the other place, the Minister of State accepted that there could be a case for greater transparency. The Secretary of State referred to the changes that have been made for the better since the Doody judgment. He went on to say that it was therefore wrong to categorise or describe the current system as secret, but that was not exactly the word that the learned Lord Chief Justice Lord Taylor used in the other place. There is a subtle difference here. He used not "secret" but "secretive". He went on to say:

"Justice in our system is administered in public. It is fundamental that proceedings which lead to conviction and sentence should, wherever practicable, be conducted openly and be subject to appeal. The current procedure involves a quite unnecessary and counter-productive deception on the public."—[*Official Report, House of Lords*, 8 June 1995; Vol. 564, c. 1478-84.]

The public, therefore, do not know what life means in the view of the trial judge when he makes his recommendation, unless he makes it in open court.

The Secretary of State sought to recognise some of the strength in the Lord Chief Justice's point when he said that the recommendation was disclosed to the prisoner, and that the prisoner can see everything. Since Doody, that has been true, although it was not true before. It would be interesting to know what view his Department took before that. I assume that it accepted the view that there should be no disclosure.

The Secretary of State also said that, once he as Home Secretary had made a recommendation, he would be prepared to disclose that recommendation and what had preceded it to anyone who asked. That is okay as far as it goes, but it represents not an administration of justice in public, but a willingness to disclose retrospectively the trial judge's recommendation if he does not make it in open court, the Lord Chief Justice's recommendation, and of course ultimately the Secretary of State's decision. On any analysis, however, that could not be regarded as an open administration of justice. A real distinction exists between the process as it operates at present, especially where no recommendation is made in public, and the process as the Lord Chief Justice has proposed it.

The Secretary of State suggested that, if there were a right of appeal against the trial judge's recommendation in open court, that would produce its own anomaly because, at present, the law does not require that recommendation and a recommendation could be made in open court at the discretion of the trial judge which was subject to appeal. Plainly, however, there could not be an appeal where no recommendation was made by the trial judge. In a sense, one then ends up with three different systems for settling life sentences—the discretionary, and then a split system of two rather than one mandatory system—rather than two.

Again, the Secretary of State sought to deal with that by picking up the point made by the Lord Chief Justice that that apparent consequential anomaly could be dealt with by a practice direction. As I understood him, the Secretary of State said that it was wrong for a practice direction essentially to make law.

We sought to deal with that issue head on in amendments that we tried to include in the Bill. We wanted to make it a requirement on the trial judge to make his recommendation in open court and for any practice directions to be subject to approval by the House. Should the Secretary of State have wished to achieve that position, he could have provided for amendments to be made in the other place so that, in all cases, recommendations were made in open court.

6.15 pm

On the merits of why recommendations should be made in open court, it is important that the offender has the right to challenge the judge's recommendation and to advance arguments against it in a judicial setting. I shall come on to the issue of whether that undermines in practice the Secretary of State's discretion. I do not accept that it does; neither did the Lord Chief Justice, who said that he as Lord Chief Justice was placed in a difficult position when it came to making recommendations about a convicted murderer. He said:

"I hesitate to say the number of occasions on which he"—

the Home Secretary—

"departs from the advice"—

of the Lord Chief Justice. He continued:

"it would be quite unnecessary for him to seek the views of the Lord Chief Justice"

in all cases. He goes on:

"And may I make it clear that when I give my views under the present convention I have very little information. I have not been at the trial. I do not have the benefit of hearing representations and I have only a brief report from the trial judge."—[*Official Report, House of Lords,* 26 June 1995; Vol. 565, c. 538.]

I found most persuasive of all the Lord Chief Justice's recommendation to the other place that the system should be changed. Here was the Lord Chief Justice, in a sense at the centre of this process, saying that he did not think that the current arrangements were working well because he did not have the benefit of the representation that could be made in open court about the length of sentence.

The Attorney-General should also have the right to make representations against what the Secretary of State rightly describes as a too lenient sentence. The phrase that he used was that the Home Secretary would be deprived of the Lord Chief Justice's advice in cases where there was no appeal. He was especially concerned about cases where the trial judge had, in the view of the Lord Chief Justice, been unduly lenient. There is an argument about whether the Lord Chief Justice would not be able to make recommendations in such a case. I cannot understand that argument. If there has been no appeal, but the Home Secretary still has, as he will have, a legitimate interest in making his own judgment on the merits of the case and in the public interest, about the appropriate sentence, the Lord Chief Justice's position, as someone who will give internal advice, could not be compromised by the possibility that he would sit on the appeal as, by definition, there is no appeal in that case.

We are dealing with an issue not only of openness, but—here we are completely in agreement—of maintaining public confidence in the system by which prisoners are sentenced and serve sentences for the most heinous of cases, for which there is rightly the greatest public revulsion. It would be appropriate therefore for the Attorney-General to have the right of appeal against the recommendation made by the trial judge. I know what the argument was in the other place against that, but I do not accept it.

The changes that the Lord Chief Justice has recommended would not only improve the administration of justice, which is often seen, wrongly, exclusively in terms of the offender and the prosecution; it would improve the administration of justice from the point of view of the victim's family, who are the victims as the victim has, by definition, died.

That point was made by the national chair of Victim Support, Sir Louis Blom-Cooper, in a letter which was sent to the Clerk of the Home Affairs Select Committee on 28 March 1995. He said that there had been much discussion when Victim Support gave oral evidence about who should set the tariff. He said:

"Victim Support and SAMM both agreed in favour of the judge determining and announcing the period to be spent in custody."

As far as I can judge, the argument was not about discretionary sentences versus mandatory ones, but whether the recommendation should be made in open court. Whatever the argument, there is no doubt that Victim Support wants that recommendation to be made in

[Mr. Straw]

open court. I believe it is right, because there is every advantage in the system being as open as conceivably possible from the point of view of the victim's family.

Is it appropriate for there to be an appeal within the judicial system against what is just a recommendation to the Secretary of State, not a decision? The argument advanced by the Secretary of State today was that made by the Minister of State in another place on 8 June. She said:

"I cannot accept the argument that a right of appeal ought to exist against those . . . recommendations. Where there are avenues of appeal against sentence they are, almost without exception, in cases where the court has the final word on the subject: where the Executive has no power to substitute a different order."

That argument had been shot down in flames earlier by the Lord Chief Justice, Lord Taylor of Gosforth, who spoke in support of the proposed changes. He said that another of his noble Friends had suggested there was an important distinction between a judge who was making a decision and a judge who merely made a recommendation. He accepted that that was a distinction, but he went on to say:

"but it does not go to the merit of this amendment because at present the recommendation for deportation which a judge makes is only a recommendation. It is not binding on the Home Secretary."—[*Official Report, House of Lords*, 8 June 1995; Vol. 564, c.1479-82.]

He went on to say, however, that within the statute there is a right of appeal in respect of a recommendation for deportation.

How much more appropriate it would be if the long period of years that a defendant may have to serve in custody as a result of a recommendation about the length of the term he should serve was also subject to the right of appeal. Given that Lord Taylor spoke before Baroness Blatch, I am surprised that she did not pick up his argument and answer it.

It is usual for appeals to be made in court against decisions, not recommendations. The example offered by Lord Taylor reveals that there are cases, quite correctly in my view, when the Secretary of State exercises the judgment that Parliament has given him because wider considerations than simply narrow judicial matters exist. That is one of the arguments in favour of the mandatory system. Despite that, however, Parliament has also decided that that judgment is consistent with the Secretary of State having the benefit of advice, determined through a judicial process, of both the trial judge and a judge at the Court of Appeal.

I am the first to admit that this is not an easy matter. I acknowledge that the Secretary of State has thought long and hard about it, as I have—I hope that is apparent from what I have said. I am sorry that we are on different sides of the argument because it is important on such issues that we should, as far as possible, reach a consensus, particularly at a time when the argument between different sides of the House about capital punishment is largely over.

I have studied the matter with great care and I believe that their Lordships were correct; I therefore urge the House to resist the motion moved by the Secretary of State.

Mr. A. J. Beith (Berwick-upon-Tweed): I apologise to the Home Secretary for missing his opening remarks. That apology is made on behalf of British Rail, whose train, which customarily takes four hours to travel to London, took eight hours instead. I left the train while an argument ensued about which operating company was responsible for the track to which the train might be diverted. That argument seemed further to delay the train, so I fled the scene at Alexandra Palace and resorted to other means of transport.

I approach the matter from a different standpoint from that of the hon. Member for Blackburn (Mr. Straw). I disagree with him about the value of the mandatory life sentence. It is undesirable in principle for the Executive to impose sentences and visibly unsatisfactory in practice when it leads to problems as diverse as excessively lenient sentences and those arising from the Private Clegg case. This is not the occasion for that argument.

Suffice it to say, the hon. Member for Blackburn, arguing from the rather conservative standpoint of one who does not want to change the current position, nevertheless demonstrated that it is possible to support the Lords amendment whether one approves or disapproves of the mandatory life sentence. I approach the argument from a different standpoint. The particular value of the argument put by the hon. Member for Blackburn is that it underlines to Conservative Members that it is possible to support the Lords amendment while nevertheless wishing the mandatory life sentence to continue to be imposed.

I do not want the mandatory life sentence to remain in operation and I find myself in agreement with the Law Lords who were leading figures in tabling the amendment. My reason for supporting the amendment is slightly different from that put by those Law Lords. If we are to have a system of Executive determination of sentence it should be an open one, so that we can know what is happening at each stage.

Lord Ackner argued strongly that the Government's primary reason for resisting their Lordships amendment was the inconvenience caused when it became clear in which cases the Home Secretary had overturned strong judicial opinion, whether in favour of a shorter sentence or a longer one.

It is desirable that the process should be an open one. The existence of a process of appeal is a natural part of such openness. That particular proposal commanded support from many in the other place as well as the overwhelming support of members and ex-members of the judiciary, for example, Lord Hailsham of St. Marylebone among others.

The arguments adduced against the change range from those that are merely arguments about Government convenience and the avoidance of embarrassment to those that construct a delicate constitutional distinctiveness for the process of Executive decision of sentences. It is argued that that mechanism is so unique that it is not appropriate to subject it to a process of appeal.

I do not accept either of those types of argument and I urge my hon. Friends to support the noble Lords in the sensible change that they have made to the Bill.

Mr. Howard: I can be brief as the hon. Member for Blackburn (Mr. Straw) was kind enough to say that I had anticipated most of the arguments that he intended to put. I believe that I did so, and therefore I do not propose to repeat them.

The issue of openness was dwelt upon by the hon. Gentleman and the right hon. Member for Berwick-upon-Tweed (Mr. Beith). I do not believe that the amendment has anything to do with that. I gave an account of our existing system. There are ways in which it could be made even more open. It is true, as the hon. Member for Blackburn said, that there could be a requirement on the trial judge to say in every case in open court what his recommendation would be. Quite how helpful that would be, bearing in mind that that recommendation is only the first part of a three-part process, I am far from clear. That is something that could be changed. Perhaps that proposal will be recommended in the report of the Select Committee on Home Affairs, to which the hon. Gentleman referred. I know not. We should have to look at such a proposal with great care in the context of that Select Committee report. But that is an entirely separate matter from the right of appeal against that recommendation which is what the amendments are essentially about. It is that right of appeal to which I object, for the reasons which I gave earlier, and in particular because I cannot see the sense or logic in having a right of appeal against a recommendation that is the first stage of a multi-stage process.

The decision made by the Secretary of State on these matters is not immune from the scrutiny of the courts. The right hon. Member for Berwick-upon-Tweed seemed to give the impression—no doubt inadvertently—that that was so. But it is not because the decision of the Secretary of State is subject to judicial review. That is an important safeguard and it is right that it should be there. It is not the case under the existing arrangements that the decision of the Secretary of State cannot be subjected to judicial scrutiny. It can be, and it is.

On the point made by the hon. Member for Blackburn about the precedent for an appeal against an advisory decision—the deportation order recommendation—with respect to the hon. Gentleman and the Lord Chief Justice, that is significantly different. The recommendation of deportation is part of the order of the court and unless such a recommendation is made, the Secretary of State cannot deport on the ground that the person concerned has been guilty of a criminal offence. There may be other grounds on which the Secretary of State can deport, but if the Secretary of State wished to deport solely because that criminal offence was committed, he could not do so unless there had been a recommendation to that effect by the judge.

So although it is true that in one sense that recommendation is advisory, it plays a much more significant role in the decision-making process in that context because it is a sine qua non of the Secretary of State's decision, than does the trial judge's recommendation of what the tariff should be, which is just the first stage in the multi-stage process which I have described.

6.30 pm

Mr. Straw: I am grateful to the right hon. and learned Gentleman for making that point. I accept that there is some distinction, but I do not think that in principle there is any serious distinction. In the other place, Baroness Blatch said words to the effect that there were no circumstances in which a recommendation from a trial judge was subject to a judicial process of appeal where the final decision was made by the Secretary of State. In deportation situations, it is a recommendation—albeit the Secretary of State cannot act without it—it can be the subject of appeal and the Secretary of State has, as I understand it, complete discretion as to what to do about it.

Mr. Howard: He does not have complete discretion as to what to do about it because, as I said a moment ago, he cannot deport without that recommendation.

Mr. Straw: He can confirm or reject it.

Mr. Howard: He can confirm or reject it, but if there is no recommendation, he cannot deport. It is for that reason that the deportation recommendation is part of the order of the court and is very significantly different in effect from the kind of advisory recommendation which we are discussing.

For all those reasons, therefore, in addition to those which I gave earlier, I invite the House to reject the amendments. They would add a quite unnecessary stage to procedures that are on the whole working well. I do not believe that the case for them has been made out and I invite the House to disagree with the Lords in the amendments.

Question put, That this House doth disagree with the Lords in the said amendment:—

The House divided: Ayes 254, Noes 225.

Division No. 205] **[6.33 pm**

AYES

Ainsworth, Peter *(East Surrey)*
Alexander, Richard
Alison, Rt Hon Michael *(Selby)*
Allason, Rupert *(Torbay)*
Arbuthnot, James
Arnold, Jacques *(Gravesham)*
Arnold, Sir Thomas *(Hazel Grv)*
Ashby, David
Atkins, Rt Hon Robert
Atkinson, David *(Bour'mouth E)*
Atkinson, Peter *(Hexham)*
Baker, Rt Hon Kenneth *(Mole V)*
Baker, Nicholas *(North Dorset)*
Banks, Matthew *(Southport)*
Banks, Robert *(Harrogate)*
Bates, Michael
Batiste, Spencer
Bellingham, Henry
Bendall, Vivian
Beresford, Sir Paul
Biffen, Rt Hon John
Bonsor, Sir Nicholas
Booth, Hartley
Boswell, Tim
Bottomley, Peter *(Eltham)*
Bottomley, Rt Hon Virginia
Bowden, Sir Andrew
Bowis, John
Boyson, Rt Hon Sir Rhodes
Brandreth, Gyles
Brazier, Julian
Bright, Sir Graham
Brooke, Rt Hon Peter
Browning, Mrs Angela
Bruce, Ian *(Dorset)*
Burns, Simon
Burt, Alistair
Butcher, John
Butler, Peter
Butterfill, John
Carlisle, John *(Luton North)*
Carlisle, Sir Kenneth *(Lincoln)*
Carrington, Matthew
Carttiss, Michael
Cash, William
Clappison, James
Clarke, Rt Hon Kenneth *(Rushcliffe)*
Clifton-Brown, Geoffrey
Colvin, Michael
Congdon, David
Conway, Derek
Coombs, Anthony *(Wyre For'st)*
Coombs, Simon *(Swindon)*
Cope, Rt Hon Sir John
Cran, James
Curry, David *(Skipton & Ripon)*
Davies, Quentin *(Stamford)*
Day, Stephen
Deva, Nirj Joseph
Devlin, Tim
Dicks, Terry
Dorrell, Rt Hon Stephen
Douglas-Hamilton, Lord James
Dover, Den
Duncan, Alan
Duncan-Smith, Iain
Dunn, Bob
Durant, Sir Anthony
Elletson, Harold
Emery, Rt Hon Sir Peter
Evans, David *(Welwyn Hatfield)*
Evans, Jonathan *(Brecon)*
Evans, Roger *(Monmouth)*
Evennett, David
Faber, David
Fabricant, Michael
Fenner, Dame Peggy
Field, Barry *(Isle of Wight)*
Fishburn, Dudley
Forth, Eric
Fowler, Rt Hon Sir Norman
Fox, Dr Liam *(Woodspring)*
Fox, Sir Marcus *(Shipley)*
Freeman, Rt Hon Roger

French, Douglas
Fry, Sir Peter
Gale, Roger
Gallie, Phil
Gardiner, Sir George
Garnier, Edward
Gill, Christopher
Goodlad, Rt Hon Alastair
Goodson-Wickes, Dr Charles
Gorman, Mrs Teresa
Grant, Sir A *(SW Cambs)*
Greenway, Harry *(Ealing N)*
Greenway, John *(Ryedale)*
Griffiths, Peter *(Portsmouth, N)*
Gummer, Rt Hon John Selwyn
Hague, Rt Hon. William
Hamilton, Rt Hon Sir Archibald
Hampson, Dr Keith
Hanley, Rt Hon Jeremy
Hannam, Sir John
Hargreaves, Andrew
Harris, David
Haselhurst, Sir Alan
Hawkins, Nick
Hawksley, Warren
Hayes, Jerry
Heald, Oliver
Heathcoat-Amory, David
Hendry, Charles
Heseltine, Rt Hon Michael
Hicks, Robert
Higgins, Rt Hon Sir Terence
Hill, James *(Southampton Test)*
Horam, John
Howard, Rt Hon Michael
Howarth, Alan *(Strat'rd-on-A)*
Howell, Rt Hon David *(G'dford)*
Howell, Sir Ralph *(N Norfolk)*
Hughes, Robert G *(Harrow W)*
Hunt, Rt Hon David *(Wirral W)*
Hunt, Sir John *(Ravensbourne)*
Hunter, Andrew
Jack, Michael
Jackson, Robert *(Wantage)*
Jenkin, Bernard
Jessel, Toby
Johnson Smith, Sir Geoffrey
Jones, Gwilym *(Cardiff N)*
Jones, Robert B *(W Hertfdshr)*
Kellett-Bowman, Dame Elaine
Key, Robert
King, Rt Hon Tom
Knapman, Roger
Knight, Mrs Angela *(Erewash)*
Knight, Rt Hon Greg *(Derby N)*
Knox, Sir David
Kynoch, George *(Kincardine)*
Lait, Mrs Jacqui
Lamont, Rt Hon Norman
Lang, Rt Hon Ian
Lawrence, Sir Ivan
Legg, Barry
Lennox-Boyd, Sir Mark
Lester, Jim *(Broxtowe)*
Lidington, David
Lightbown, David
Lilley, Rt Hon Peter
Lloyd, Rt Hon Sir Peter *(Fareham)*
Lord, Michael
Luff, Peter
MacGregor, Rt Hon John
MacKay, Andrew
Maclean, Rt Hon David
McLoughlin, Patrick
McNair-Wilson, Sir Patrick
Madel, Sir David
Maitland, Lady Olga
Malone, Gerald
Mans, Keith
Marland, Paul
Marlow, Tony
Marshall, Sir Michael *(Arundel)*
Martin, David *(Portsmouth S)*
Mawhinney, Rt Hon Dr Brian
Merchant, Piers
Mills, Iain
Mitchell, Andrew *(Gedling)*
Mitchell, Sir David *(NW Hants)*
Monro, Rt Hon Sir Hector
Montgomery, Sir Fergus
Newton, Rt Hon Tony
Nicholls, Patrick
Nicholson, Emma *(Devon West)*
Onslow, Rt Hon Sir Cranley
Oppenheim, Phillip
Ottaway, Richard
Page, Richard
Paice, James
Patnick, Sir Irvine
Patten, Rt Hon John
Pawsey, James
Peacock, Mrs Elizabeth
Porter, Barry *(Wirral S)*
Porter, David *(Waveney)*
Powell, William *(Corby)*
Riddick, Graham
Robathan, Andrew
Robertson, Raymond *(Ab'd'n S)*
Robinson, Mark *(Somerton)*
Roe, Mrs Marion *(Broxbourne)*
Rowe, Andrew *(Mid Kent)*
Rumbold, Rt Hon Dame Angela
Sackville, Tom
Sainsbury, Rt Hon Sir Timothy
Scott, Rt Hon Sir Nicholas
Shaw, David *(Dover)*
Shaw, Sir Giles *(Pudsey)*
Shephard, Rt Hon Gillian
Shepherd, Colin *(Hereford)*
Shepherd, Richard *(Aldridge)*
Shersby, Sir Michael
Smith, Sir Dudley *(Warwick)*
Smith, Tim *(Beaconsfield)*
Spencer, Sir Derek
Spicer, Michael *(S Worcs)*
Spink, Dr Robert
Spring, Richard
Sproat, Iain
Squire, Robin *(Hornchurch)*
Stanley, Rt Hon Sir John
Steen, Anthony
Stephen, Michael
Stern, Michael
Stewart, Allan
Streeter, Gary
Sumberg, David
Sweeney, Walter
Sykes, John
Tapsell, Sir Peter
Taylor, Ian *(Esher)*
Taylor, John M *(Solihull)*
Taylor, Sir Teddy *(Southend, E)*
Temple-Morris, Peter
Thomason, Roy
Thompson, Sir Donald *(C'er V)*
Thompson, Patrick *(Norwich N)*
Thornton, Sir Malcolm
Thurnham, Peter
Townsend, Cyril D *(Bexl'yh'th)*
Tredinnick, David
Trend, Michael
Trotter, Neville
Twinn, Dr Ian
Vaughan, Sir Gerard
Waldegrave, Rt Hon William
Walden, George
Walker, Bill *(N Tayside)*
Waller, Gary
Waterson, Nigel
Watts, John
Whitney, Ray
Whittingdale, John
Widdecombe, Ann
Wiggin, Sir Jerry
Willetts, David
Wilshire, David
Wolfson, Mark
Wood, Timothy
Yeo, Tim
Young, Rt Hon Sir George

Tellers for the Ayes:
Mr. Timothy Kirkhope and Mr. Bowen Wells.

NOES

Abbott, Ms Diane
Adams, Mrs Irene
Ainger, Nick
Ainsworth, Robert *(Cov'try NE)*
Anderson, Donald *(Swansea E)*
Anderson, Ms Janet *(Ros'dale)*
Ashton, Joe
Austin-Walker, John
Banks, Tony *(Newham NW)*
Barnes, Harry
Barron, Kevin
Battle, John
Bayley, Hugh
Beckett, Rt Hon Margaret
Beith, Rt Hon A J
Bell, Stuart
Benn, Rt Hon Tony
Bennett, Andrew F
Benton, Joe
Berry, Roger
Betts, Clive
Blunkett, David
Boateng, Paul
Bradley, Keith
Bray, Dr Jeremy
Brown, Gordon *(Dunfermline E)*
Brown, N *(N'c'tle upon Tyne E)*
Burden, Richard
Byers, Stephen
Callaghan, Jim
Campbell, Mrs Anne *(C'bridge)*
Campbell, Menzies *(Fife NE)*
Campbell, Ronnie *(Blyth V)*
Campbell-Savours, D.N.
Cann, Jamie
Chisholm, Malcolm
Church, Judith
Clapham, Michael
Clark, Dr David *(South Shields)*
Clarke, Eric *(Midlothian)*
Clarke, Tom *(Monklands W)*
Clelland, David
Clwyd, Mrs Ann
Coffey, Ann
Cohen, Harry
Connarty, Michael
Cook, Frank *(Stockton N)*
Cook, Robin *(Livingston)*
Corbett, Robin
Corbyn, Jeremy
Corston, Jean
Cousins, Jim
Cox, Tom
Cummings, John
Cunliffe, Lawrence
Cunningham, Jim *(Covy SE)*
Darling, Alistair
Davies, Bryan *(Oldham C'tral)*
Davies, Rt Hon Denzil *(Llanelli)*
Davies, Ron *(Caerphilly)*
Davis, Terry *(B'ham, H'dge H'l)*
Denham, John
Dixon, Don
Dobson, Frank
Donohoe, Brian H
Dowd, Jim
Eagle, Ms Angela
Eastham, Ken
Etherington, Bill
Evans, John *(St Helens N)*
Ewing, Mrs Margaret
Faulds, Andrew
Field, Frank *(Birkenhead)*
Flynn, Paul
Foster, Rt Hon Derek
Foster, Don *(Bath)*
Foulkes, George
Fraser, John
Fyfe, Maria
Galbraith, Sam
Galloway, George
Gapes, Mike
Garrett, John
George, Bruce
Gerrard, Neil
Godman, Dr Norman A
Godsiff, Roger
Golding, Mrs Llin
Graham, Thomas
Grant, Bernie *(Tottenham)*
Griffiths, Win *(Bridgend)*
Gunnell, John
Hain, Peter
Hardy, Peter
Harman, Ms Harriet
Harvey, Nick
Henderson, Doug
Hill, Keith *(Streatham)*
Hinchliffe, David
Hoey, Kate
Hogg, Norman *(Cumbernauld)*
Hood, Jimmy
Hoon, Geoffrey
Howarth, George *(Knowsley North)*
Howells, Dr. Kim *(Pontypridd)*
Hoyle, Doug
Hughes, Kevin *(Doncaster N)*
Hughes, Robert *(Aberdeen N)*
Hughes, Roy *(Newport E)*
Hutton, John
Illsley, Eric
Ingram, Adam
Jackson, Glenda *(H'stead)*
Jackson, Helen *(Shef'ld, H)*
Jamieson, David
Jones, Barry *(Alyn and D'side)*
Jones, Lynne *(B'ham S O)*
Jones, Martyn, *(Clwyd South West)*
Jones, Nigel *(Cheltenham)*
Jowell, Tessa
Keen, Alan
Kennedy, Jane *(L'pool Br'dg'n)*
Khabra, Piara S
Kilfoyle, Peter
Kirkwood, Archy

Lestor, Joan *(Eccles)*
Lewis, Terry
Litherland, Robert
Livingstone, Ken
Lloyd, Tony *(Stretford)*
Loyden, Eddie
Lynne, Ms Liz
McAllion, John
McCartney, Ian
Macdonald, Calum
McKelvey, William
Mackinlay, Andrew
McLeish, Henry
Maclennan, Robert
McMaster, Gordon
McNamara, Kevin
MacShane, Denis
McWilliam, John
Madden, Max
Maddock, Diana
Mahon, Alice
Marek, Dr John
Marshall, David *(Shettleston)*
Marshall, Jim *(Leicester, S)*
Martin, Michael J *(Springburn)*
Martlew, Eric
Maxton, John
Meale, Alan
Michael, Alun
Michie, Bill *(Sheffield Heeley)*
Michie, Mrs Ray *(Argyll & Bute)*
Milburn, Alan
Mitchell, Austin *(Gt Grimsby)*
Molyneaux, Rt Hon James
Moonie, Dr Lewis
Morgan, Rhodri
Morris, Rt Hon Alfred *(Wy'nshawe)*
Morris, Estelle *(B'ham Yardley)*
Morris, Rt Hon John *(Aberavon)*
Mowlam, Marjorie
Mullin, Chris
Oakes, Rt Hon Gordon
O'Brien, Mike *(N W'kshire)*
O'Brien, William *(Normanton)*
Olner, Bill
O'Neill, Martin
Orme, Rt Hon Stanley
Pearson, Ian
Pendry, Tom
Pike, Peter L
Powell, Ray *(Ogmore)*
Prentice, Gordon *(Pendle)*
Prescott, Rt Hon John
Primarolo, Dawn
Purchase, Ken
Quin, Ms Joyce
Randall, Stuart
Raynsford, Nick
Rendel, David
Rogers, Allan
Rooker, Jeff
Rooney, Terry
Ross, Ernie *(Dundee W)*
Ross, William *(E Londonderry)*
Rowlands, Ted
Ruddock, Joan
Sedgemore, Brian
Sheldon, Rt Hon Robert
Short, Clare
Skinner, Dennis
Smith, Chris *(Is'ton S & F'sbury)*
Smith, Llew *(Blaenau Gwent)*
Smyth, The Reverend Martin
Snape, Peter
Spearing, Nigel
Spellar, John
Steel, Rt Hon Sir David
Steinberg, Gerry
Stevenson, George
Strang, Dr. Gavin
Straw, Jack
Sutcliffe, Gerry
Taylor, Mrs Ann *(Dewsbury)*
Taylor, Matthew *(Truro)*
Thompson, Jack *(Wansbeck)*
Timms, Stephen
Tipping, Paddy
Touhig, Don
Trimble, David
Turner, Dennis
Wareing, Robert N
Watson, Mike
Wicks, Malcolm
Williams, Rt Hon Alan *(Sw'n W)*
Williams, Alan W *(Carmarthen)*
Winnick, David
Wise, Audrey
Worthington, Tony
Wright, Dr Tony
Young, David *(Bolton SE)*

Tellers for the Noes:
Mr. George Mudie and
Mrs. Barbara Roche.

Question accordingly agreed to.

New clause

EVIDENCE

Lords amendment: No. 2, to leave out clause 4 and insert the following new clause—

(".—(1) In section 23 of the 1968 Act (evidence)—

(a) in subsection (1) (power to receive evidence etc.), for paragraph (c) substitute—

"(c) receive any evidence which was not adduced in the proceedings from which the appeal lies.",

(b) for subsection (2) (duty to receive evidence in certain circumstances) substitute—

"(2) The Court of Appeal shall, in considering whether to receive any evidence, have regard in particular to—

(a) whether the evidence appears to the Court to be capable of belief;

(b) whether it appears to the Court that the evidence may afford any ground for allowing the appeal;

(c) whether the evidence would have been admissible in the proceedings from which the appeal lies on an issue which is the subject of the appeal; and

(d) whether there is a reasonable explanation for the failure to adduce the evidence in those proceedings.", and

(c) in subsection (3), after "any" insert "evidence of a".

(2) In section 25 of the 1980 Act (evidence)—

(a) in subsection (1) (power to receive evidence etc.), for paragraph (c) substitute—

"(c) receive any evidence which was not adduced at the trial.",

(b) for subsection (2) (duty to receive evidence in certain circumstances) substitute—

"(2) The Court of Appeal shall, in considering whether to receive any evidence, have regard in particular to—

(a) whether the evidence appears to the Court to be capable of belief;

(b) whether it appears to the Court that the evidence may afford any ground for allowing the appeal;

(c) whether the evidence would have been admissible at the trial on an issue which is the subject of the appeal; and

(d) whether there is a reasonable explanation for the failure to adduce the evidence at the trial.", and

(c) in subsection (3), after "any" insert "evidence of a".")

The Parliamentary Under-Secretary of State for the Home Department (Mr. Nicholas Baker): I beg to move, That this House doth agree with the Lords in the said amendment.

Madam Deputy Speaker (Dame Janet Fookes): With this, it will be convenient to take Lords amendments Nos. 34, 47, 48 and 52 to 54.

Mr. Baker: The amendments are all concerned with the receipt of fresh evidence by the Court of Appeal in England and Wales, and by the Northern Ireland Court of Appeal and the Courts-Martial Appeal Court, which operate the same procedures. At present, section 23 of the Criminal Appeal Act 1968 contains two separate provisions on the receipt of evidence on appeal. The relationship between them is somewhat complex and has given rise to difficulties for the Court of Appeal. It has created room for argument in appeal hearings about whether the court should receive evidence under the narrow, qualified duty in subsection (2) or under its general discretion in subsection (1).

We have therefore taken the opportunity to devise amendments to improve the construction of section 23. They are intended to provide a unified test for the receipt of fresh evidence which reflects the current practice of the Court of Appeal. We intend that the amendments should not in any way narrow the scope for the receipt of fresh evidence by the Court of Appeal. The Lord Chief Justice, when supporting the amendments in another place, confirmed that they would in no way lessen the likelihood of fresh evidence being received on appeal. He said that he could think of no occasion on which evidence received under the present section 23 would not be received under the new section proposed in the new clause 4.

Lords amendment agreed to.

Clause 6

POWERS EXERCISABLE BY REGISTRAR

Lords amendment: No. 3, in page 5, line 14, leave out from beginning to ("but") in line 17 and insert

("No variation of the conditions of bail granted to an appellant may be made by the registrar unless he is satisfied that the respondent does not object to the variation;")

Mr. Nicholas Baker: I beg to move, That this House doth agree with the Lords in the said amendment.

This is a minor amendment that is designed to clarify the drafting of clause 6.

Lords amendment agreed to.

Clause 7

APPEALS IN CASES OF DEATH

Lords amendment: No. 4, in page 5, line 33, leave out ("by virtue of paragraph (a) above")

and insert

("in relation to his case by virtue of paragraph (a) above or by a reference by the Criminal Cases Review Commission")

Mr. Nicholas Baker: I beg to move, That this House doth agree with the Lords in the said amendment.

Madam Deputy Speaker: With this, it will be convenient to discuss also Lords amendments Nos. 5 to 9, 45 and 49 to 51.

Mr. Baker: These are minor and technical amendments that are designed to ensure that the provision in clause 7, allowing appeals to be conducted on behalf of deceased persons, operates smoothly.

Lords amendment agreed to.

Lords amendments Nos. 5 to 9 agreed to.

Clause 13

GENERAL PROVISIONS ABOUT REFERENCES

Lords amendment: No. 10, in page 10, line 29, leave out from ("verdict") to end of line 2 on page 11 and insert

(", finding or sentence shall not be made under any of sections 9 to 12 unless—

(a) the Commission consider that there is a real possibility that the conviction, verdict, finding or sentence would not be upheld were the reference to be made,

(b) the Commission so consider—

(i) in the case of a conviction, verdict or finding, because of an argument, or evidence, not raised in the proceedings which led to it or on any appeal or application for leave to appeal against it, or

(ii) in the case of a sentence, because of an argument on a point of law, or information, not so raised, and

(c) an appeal against the conviction, verdict, finding or sentence has been determined or leave to appeal against it has been refused.

(2) Nothing in subsection (1)(b)(i) or (c) shall prevent the making of a reference if it appears to the Commission that there are exceptional circumstances which justify making it.")

Mr. Nicholas Baker: I beg to move, That this House doth agree with the Lords in the said amendment.

Madam Deputy Speaker: With this, it will be convenient to discuss also Lords amendment No. 11.

Mr. Baker: When setting out in clause 13 the broad criteria for the referral of a conviction, verdict or finding by the commission to the courts, we have sought to enable the commission to refer cases when there appears to be a real possibility of a subsequent appeal succeeding and there is some new element, whether argument or evidence, for the courts to consider but, when setting reasonable criteria for references, we are conscious of the need to ensure that references are not precluded in circumstances in which injustice would result.

Amendment No. 10, therefore, enables the commission to refer a conviction, verdict or finding in the exceptional case where the existing criterion for there to be argument or evidence not already raised in any relevant proceeding is not met, but there are, nevertheless, compelling reasons that justify its referral.

Amendment No. 11 is purely a drafting amendment.

Mr. Alun Michael (Cardiff, South and Penarth): It is always entertaining to hear a Minister urge the House to agree to something that he resisted in an earlier debate. We welcome Lords amendment No. 10 because it allows some flexibility in the rules which govern whether a case can be referred to the Court of Appeal.

In the Bill as drafted originally, there had to be argument or evidence that had not been raised previously in any way, shape or form. In Committee, we suggested an amendment to allow consideration when the argument or the evidence had not been raised adequately—which is another way of putting the amendment that is before us today. We touched on the issue again on Report on 26 April. Interpretation by the Court of Appeal changes over time. The Police and Criminal Evidence Act 1984 has affected how courts look at admissions of guilt, and mistakes by lawyers can mean that an issue is not argued fully.

I welcome the Lords amendments, but I note that such matters may be considered in exceptional circumstances. We have always believed that such appeals should be catered for in exceptional circumstances and that they should be allowed to reach the Court of Appeal.

I cannot let the Minister's authoritative comments on Lords amendment No. 10 pass without pointing out that, basically, we told him so.

Lords amendment agreed to.

Lords amendments Nos. 11 to 16 agreed to.

Clause 18

POWER TO REQUIRE APPOINTMENT OF INVESTIGATING OFFICERS

Lords amendment: No. 17, in page 14, line 38, leave out ("such other police force as the chief officer thinks fit")

and insert

("another police force selected by the chief officer")

Mr. Nicholas Baker: I beg to move, That this House doth agree with the Lords in the said amendment.

Madam Deputy Speaker: With this, it will be convenient to discuss also Lords amendments Nos. 18 to 21.

Mr. Baker: Lords amendments Nos. 17 to 21 empower the commission to approve or disapprove the outside force to be brought in to investigate any case at its request.

Mr. Michael: As with a number of other Lords amendments, Lords amendments Nos. 17 to 21 deal with points that Labour Members raised in Committee and on

Report. Their importance should not come as any surprise to Ministers. A letter from the Association of Chief Police Officers sent to the Home Office on 9 May 1994 said that it would be unwise for West Midlands police to investigate West Yorkshire while the West Yorkshire police were investigating the West Midlands on a different matter. During debate in this place, the Minister suggested that that was not a problem and I said at the time that I believed that he was wrong.

The Minister had not understood the limitations on the powers. Clause 18(4)(b) does not give the commission the power to break the arrangement whereby the West Midlands force investigates the West Yorkshire force and vice versa. The Bill empowered the commission only to get an outside officer to investigate and it was then up to the chief officer to choose the other force. That was made clear in debate on 26 April this year.

In Committee in another place, the Government accepted the case. Baroness Blatch moved an amendment to that effect and said:

"Although such a scenario"—

as we depicted in this place—

"seems a little improbable, not least because our current experience would suggest that an outside force is needed in relatively few cases, we nevertheless think it best to enable the commission . . . to approve or disapprove the outside force . . . to be brought in".—[*Official Report, House of Lords*, 12 June 1995; Vol. 564, c. 1606.]

I am glad of the confirmation that we were right. The Lords amendment is a small step in the right direction as it ensures that there is objectivity and transparency in the investigation of such cases.

With the leave of the House, Madam Deputy Speaker, I shall deal with an allied matter and, therefore, not speak to the next group of Lords amendments. I ask the Minister to clarify one other matter in relation to investigations. Some observers believe that a major concession has been given and they are not sure whether it goes as far as they think. Baroness Blatch said:

"the commission does not need special provision in order to direct and supervise its own staff. Nor does it need such provision in order to engage the services of an outsider—for example, an accountant—to investigate a case for it".

What Baroness Blatch said goes further than the Lords amendments in this group and the next. She said:

"the Government intend that the commission should have its own unit of experienced investigators to advise it and also, as the Noble Lord suggested, to play a part in the direction of investigations".

That is an important statement, which relates to matters that the Opposition raised on a number of occasions in this House. Baroness Blatch continued:

"The Government's position has always been that the commission can employ investigative staff and can engage investigative expertise."—[*Official Report, House of Lords*, 26 June 1995; Vol. 565, c. 578-81.]

In contrast, in a debate in this House, the Minister gave no hint of a concession when he rejected our new clauses 1 and 2, saying that they

"would enable the commission to draw on in-house investigators or on those that it has contracted in, as well as on investigating officers appointed at its request by the appropriate chief constable. They would, in effect, give the commission power to appoint an in-house investigations unit to make inquiries . . . I am not convinced that creating an in-house investigative capacity would be helpful or necessary."—[*Official Report*, 26 April 1995; Vol. 258, c. 887.]

Will the Minister now tell us who is right? Does he support the interpretation of Baroness Blatch in another place? Do the Lords amendments have the effect that we looked for but which the Minister rejected during the debate here? Do Baroness Blatch's words give the correct interpretation of the Government's intentions—yes or no? I look forward to the Minister's response.

7 pm

Mr. Beith: I had some questions on the same point, which I intended to raise during the debate on Lords amendments Nos. 23 and 24. If you will allow me, Madam Deputy Speaker, I might still do so.

Mr. Nicholas Baker: If you are to allow us to debate also the next group of amendments, Madam Deputy Speaker, for the convenience of the House, as the hon. Member for Cardiff, South and Penarth (Mr. Michael) rightly said—

Madam Deputy Speaker: Order. It must be clear that proceeding with the debate in such a way meets with the general wishes of the House.

Mr. Beith: It might be of assistance if I speak now to the next group of Lords amendments. It is an odd way to proceed, but I shall happily do so for the convenience of the House.

The assurances that Baroness Blatch gave in relation to Lords amendments Nos. 23 and 24—or to their equivalent amendments in the Lords—were, as the hon. Member for Cardiff, South and Penarth (Mr. Michael) said, of considerable significance. The amendments add to the Bill usefully, and the assurances that Baroness Blatch gave put them in an even stronger light.

She said:

"I said in my response to the amendment that the Government intend that the commission should have its own unit of experienced investigators to advise it and . . . to play a part in the direction of investigations."

She said that she understood that investigations can be undertaken by the commission, and added that

"The Government's position has always been that the commission can employ investigative staff and can engage investigative expertise."—[*Official Report, House of Lords*, 26 June 1995; Vol. 565, c. 581.]

I have to say that that was not the impression conveyed on Second Reading or in Committee in this House.

My view was that, whereas in most circumstances it would be satisfactory for the commission to make use of a police force to carry out investigations, it might occasionally be better to make other arrangements or to have a unit of investigators on the commission's own staff. Confidence in the commission would be greater if that were the case from the start. It will be very good news if, as seems to have become clear during our proceedings, that is to be the case. I hope that it is, and that the combination of Baroness Blatch's assurances and Lords amendments Nos. 23 and 24 may achieve that objective. I should be grateful to hear that confirmed by the Minister.

Mr. Nicholas Baker: We have transgressed the rules once, and you are allowing us to do it again, Madam Deputy Speaker.

The Lords amendments grouped with Lords amendment No. 17 arise out of concerns expressed in the House by the hon. Member for Cardiff, South and Penarth and others that the commission's powers under clause 18 might be insufficient to enable it to prevent, where it thought it desirable, two forces investigating one another

[Mr. Nicholas Baker]

on behalf of the commission. We considered that scenario to be a little improbable, not least because of our current experience, which suggests that an outside force is needed in relatively few cases, but we nevertheless think that it is right to give the commission the necessary powers, hence the Lords amendments.

On Lords amendments Nos. 23 and 24, questions arose in Committee and in another place as to whether the commission would be invariably bound to use the police or some other public body to investigate possible miscarriages of justice. The purpose of the amendments is to make it clear that the commission is not constrained in that way. The right hon. Member for Berwick-upon-Tweed (Mr. Beith) asked whether the commission members will undertake major investigations themselves. When it comes to what might be called police-type inquiries—interviewing witnesses, retracing car journeys and so forth—the Government expect the commission as a rule to use clauses 18 and 19 to obtain assistance from the police or from another public body.

The Government have no intention of funding a team in the commission whose job would be to operate as a mini-police force, duplicating work which could, and should, be done by the police or other public bodies under clauses 18 and 19, but we accept that, exceptionally, the commission might want one of its staff or someone else to do investigative work such as would otherwise be done by a police officer under clause 19. No one has provided a convincing example of such a case, but it could, theoretically, happen.

It is much more likely that the investigations that the commission will undertake will not require police experience or expertise—for example, telephone inquiries, getting hold of copies of relevant papers and obtaining expert analyses and opinions. That is how we envisage the commission operating in practice.

Mr. Michael: I return to the words used by Baroness Blatch, who stated specifically that

"the Government intend that the commission should have its own unit of experienced investigators to advise it and also . . . to play a part in the direction of investigations".—[*Official Report, House of Lords*, 26 June 1995; Vol. 565, c. 581.]

That comment was specific, and the Minister now seems to be contradicting it—as his colleagues did in the Commons last time around. It is important for us to know whether the Minister has accepted the argument that we have stressed strongly, as Baroness Blatch seems to have done, or whether he continues to insist on the commission's not having any sort of body, however small, of competent investigators. That is an important point. The Minister has not dealt with the comments of Baroness Blatch. Which Minister is telling us what will happen?

Mr. Baker: The hon. Gentleman is taking the word "investigation" into some magic fields. I have made it clear that we do not envisage the commission carrying out large-scale investigations. We envisage it doing investigative work from time to time but, generally, the right people to investigate will be the police or other bodies. There will be investigative work that it might be appropriate for the commission's unit to do, such as advising the commission, helping others direct and supervise investigations and liaising with investigations. Those are the types of investigations that the unit in the commission can do, rather than the large-scale investigations that the hon. Gentleman has in mind.

Lords amendment agreed to.

Lords amendments Nos. 18 to 45 agreed to [some with Special Entry].

Lords amendment No. 46 disagreed to.

Lords amendments Nos. 47 to 55 agreed to.

Committee appointed to draw up Reasons to be assigned to the Lords for disagreeing to certain of their amendments to the Bill: Miss Ann Widdecombe, Mr. Simon Burns, Mr. David Lidington, Mr. Alun Michael and Mrs. Barbara Roche; Three to be the quorum of the Committee.—*[Mr. Nicholas Baker.]*

To withdraw immediately.

Representation of the People

7.13 pm

The Parliamentary Under-Secretary of State for the Home Department (Mr. Nicholas Baker): I beg to move,

That the draft Local Government Elections (Changes to the Franchise and Qualification of Members) Regulations 1995, which were laid before this House on 26th June, be approved.

For many years, our electoral law restricted the right to vote and to be a candidate in any election to British and other Commonwealth citizens and to citizens of the Irish Republic. However, the treaty on European Union conferred certain electoral rights on Union citizens, which extends our franchise further. The rights conferred by the treaty are to vote and to be able to stand as a candidate in elections to the European Parliament and in local government elections. Regulations approved by Parliament last year conveyed into our domestic legislation rights with regard to European parliamentary elections and, accordingly, Union citizens resident in this country were eligible to participate in the European parliamentary elections held in June 1994. Of course, British citizens living abroad in the European Community enjoyed similar rights.

The draft regulations deal with the second aspect of electoral rights contained in the treaty and they accordingly extend to resident citizens of other member states the right to vote and to stand as a candidate in local government elections.

Sir Teddy Taylor (Southend, East): As the issue is rather complex, will the Minister clarify the position of Gibraltar? Did Gibraltar residents qualify previously because Gibraltar was allegedly part of the Commonwealth although it was not, or do they now qualify because they are part of the European Union? Will the Minister explain to my constituents whether Gibraltar residents who are British citizens had the right before, will still have it or will perhaps never have it?

Mr. Baker: I hope that, before the end of the debate, I shall be able to give my hon. Friend an answer about Gibraltar but, if he will allow me to proceed, I shall do what I can before then.

Progress has been reported to Parliament by means of the usual explanatory memoranda. One explanatory memorandum was submitted by the Home Office on 22 April last year, and supplementary memoranda were submitted on 18 May and 30 November. The matter was debated by European Standing Committee B on 19 July 1994 when the Committee endorsed the Government's main policy objectives.

One of those policy objectives was to avoid the somewhat bureaucratic system of information exchange which is required under the directive governing European parliamentary elections. Our participation in that information exchange at the time of the 1994 European parliamentary election confirmed us in our view that it served little purpose. The directive on local government elections does not contain the same requirements, which is much to be welcomed. During the review of the European parliamentary directive—a process that has just begun—we shall be seeking to have the requirements for information exchange removed or at least reduced.

The regulations are being brought forward now because the directive stipulates that member states shall bring into force the laws, regulations and administrative provisions necessary to comply with the directive before 1 January 1996.

Dr. Kim Howells (Pontypridd): Will the Minister tell the House whether there is a set timetable for implementation by other European member states?

Mr. Baker: Other European member states have, like us, declared to which elections the provisions shall apply, and they are subject to the same time limit as us—1 January 1996. That means that we must have the procedures in place in time to enable Union citizens to be registered during this autumn's electoral canvass.

Although representation of the people legislation is complex and detailed, the draft regulations are pretty simple. They extend local government electoral rights to resident Union citizens by means of simple amendments to the nationality criteria contained in the Representation of the People Act 1983. Draft regulation 3 effects the necessary changes with regard to the right to stand as a candidate, and regulation 4 deals with the right to vote. The general principle of the relevant article of the treaty is that non-national residents in a member state should be treated, for electoral purposes, in the same way as nationals of that state.

The simple amendments to which I referred are all that is necessary to give full effect to our treaty obligations, and they do no more and no less than that. We are not introducing any requirements of citizens of other member states that we do not require of our own citizens, and no changes are made to the way in which previously enfranchised nationalities are dealt with. That is in line with the welcome provision that allows the existing laws of individual member states to apply as far as possible.

I can reassure my hon. Friend the Member for Southend, East (Sir T. Taylor) that, in the case of our local government elections, our existing law can continue to apply unchanged. To register a vote, for example, a European Union citizen must have been resident in Great Britain on the qualifying date of 10 October, or 15 September for Northern Ireland, in exactly the same way as British, other Commonwealth, or Irish citizens. Citizens of other member states who wish to be candidates in local government elections must conform to the nomination procedures to which candidates have conformed hitherto.

The majority of the draft regulations are set out in the two schedules, where consequential amendments are made to primary and secondary legislation. I hope that the House will agree to them.

7.20 pm

Dr. Kim Howells (Pontypridd): The Opposition extend a guarded welcome to the extension of the right to vote in local elections in this country to all citizens of member states of the European Community on the same terms as Commonwealth citizens. We shall extend a warmer welcome when there is clear evidence that British citizens living in other European Union countries enjoy similar privileges, especially in countries such as Germany, where there have been long-standing constitutional objections to extending the franchise to non-nationals.

[Dr. Kim Howells]

It is worth recalling for a moment that, before the 1990s, voting rights for non-nationals existed only in Denmark, Ireland and the Netherlands. In Belgium, France, Germany, Greece, Italy, Luxembourg and Portugal, only nationals had the right to vote.

The movement of European Union citizens across intra-Union frontiers has grown apace, especially in the past five years or so. An estimated 5 million European Union citizens may be enfranchised by the regulations if fairly applied by each member state. I hope that the Government will reassure the House and the British people, however, that the new regulations will be fairly applied, and that some of the Governments of countries that I listed earlier, such as the Germans and the French, will not deny the right to vote in local elections to UK nationals residing in those countries. Well in excess of 150,000 of our nationals reside in Germany and France, while we provide that right to 100,000 Germans and French nationals who reside in the UK.

Mr. Tony Marlow (Northampton, North): I apologise for missing the beginning of the debate; I was downstairs in a meeting.

The Minister may well have made the argument already, but I understand that, when we passed the legislation for the Maastricht treaty through the House, automatically other EU citizens in this country had the right to vote in our elections. Is that not the case with regard to UK citizens in other EU countries? If not, why the difference?

Dr. Howells: No. As I understand it—I am sure that the Minister will correct me if I am wrong—it was not regarded as part of the competence of either the Commission or the European Parliament to grant that, and it needed to be debated separately in order to become a right. It is important that we understand that distinction because the House may wish to know that, at 1 January 1992, about 410,000 UK nationals were living outside the UK but in the European Union.

We welcome the fact that the Home Office had effectively issued three consultation papers, in the form of supplementary explanatory memoranda, on that subject during 1994, because it raises issues that go to the heart of our democratic system. Indeed, if our response as a Parliament had not been the right one, we might have sent to Brussels dangerous and misleading messages about our willingness to cede to the Commission and to the European Parliament the competence to make decisions about aspects of home affairs that, Opposition Members believe, lie entirely within the competence of this Parliament.

Mr. Marlow: Am I right or am I wrong in saying that EU citizens in this country were able to vote in our local elections in May of this year, and that that had nothing to do with the European Parliament, the Commission or any European institution, but was a result of the House having passed into law the provisions of the European Communities (Amendment) Act 1986? If it happened here, why did it not happen for UK citizens in other EU countries?

Dr. Howells: I do not believe that the hon. Gentleman is right. I do not believe that European Union nationals living in this country had the right to vote in local elections last May, which is the reason why we are considering this legislation now. I hope that the hon. Gentleman does not confuse voting in local elections last May with voting for the European Parliament, which European nationals living in this country certainly have a right to do.

Mr. Nicholas Baker: I am grateful to the hon. Gentleman for making the argument that I wanted to make before I got off my knees. EU citizens living in this country had the right to vote because of legislation that we passed in this Parliament; they had the right to vote in the most recent European elections, as British citizens did in their countries. We are now carrying out a similar process in relation to local elections in our respective countries.

Dr. Howells: That opinion was shared by the House of Lords Select Committee on the European Communities, which, in one of its reports, warned that a cautious approach was necessary as the granting of legislative competence in the Council would result in an irreversible transfer of power from national parliaments. More ominously, the Committee also warned that if Community competence were accepted, it would extend to national elections.

The second supplementary memorandum on European Community legislation, issued by the Home Office on 30 November 1994, expressed its satisfaction with the final draft of the directive and especially with the proposals for registration for local government elections. They should be conducted according to the laws of the member state of residence, rather than along the lines of the so-called voluntary scheme used for European Parliament elections, which sought to impose a much more standardised model throughout the 15 member states.

In other words, European Union citizens will be registered according to existing national practice and as part of the normal annual canvass. That is a simple, straightforward proposal and, with the important proviso that the Government maintain the utmost vigilance both in advancing the reciprocal voting rights of UK nationals living elsewhere in the European Union and in guarding against electoral fraud and illegal manipulation of votes in this country, Labour supports the motion.

7.27 pm

Mr. David Wilshire (Spelthorne): This is the first time that I have ventured into the European fray, and I do so with a fair degree of trepidation. My party colleagues in the House and in my constituency are all well aware of my private reservations, but this is the first time that I have placed those reservations on the record. I believe that it is fair to say that I have not done so in the past because I wanted to do what I could to help the Government, so I have kept a low profile, but there comes a point, however trivial that point might appear, when each one of us concludes that enough is enough. I have reached that point.

I am not alone. Two surveys that I have carried out in the past month or so of my constituents and Conservative party members in my constituency reveal that more than 85 per cent. of those who have replied to both surveys are unhappy about any further dilution of our sovereignty, which is what I judge that the regulations amount to.

Before I go further down that track and disturb my hon. Friend the Minister, let me give him some good news. I have no problems with regulation 4 because I subscribe to the principle of no taxation without representation irrespective of where a person is born or what is written in his passport, and because I believe that anyone who lives in this country and becomes liable to pay council tax has every reason to expect to have some say in helping to choose his representatives.

However, I find regulation 3 very disturbing. Before I explain why, may I discuss two arguments that someone might be tempted to make later that would weaken my case? The first is that the regulations extend the rights of Irish and Commonwealth citizens only to citizens living in the European Union. Quite so. I would remove the entitlement of Irish and Commonwealth citizens to stand for election in this country. The second argument that could weaken my case is that the regulations are merely consequential and that we do not therefore have any choice. In one way, I accept that that is true, but, in practice, the regulations require the approval of the House. If so, by definition we have a say. We could reject the regulations, if we are willing to face the consequences, but I suspect that we are not. One day, I judge that the House will have to face the consequences.

I find regulation 3 disturbing because I am opposed to allowing foreigners to stand for election in this country, however closely allied and however much we like them. Anyone who is not a British citizen is by definition a foreigner, and I do not use the word "foreigner" to belittle anybody in any way. I accept that I am a foreigner in every other country in the world. Elected bodies at whatever level are part of the way that a sovereign state operates its political system and democracy. As such, elected bodies are an integral part of a state's independence and individuality.

I do not accept that councils are merely a way of getting dustbins emptied. They are an expression of who we are and who is foreign. Elected representatives at parliamentary or parish council level all play a key role in upholding the integrity and independence of the sovereign state. In the House, we swear an oath of allegiance as soon as we are elected. The same duties apply in local government, although they go unspoken. I cannot for the life of me see how foreigners can uphold Britishness unless they first become British citizens.

At its most absurd, the regulations could lead to a council on which not one British citizen served. Common sense says that will not happen but if we do not believe that it will happen or do not want it to happen, why pass regulations that allow it to happen?

Mr. Marlow: The logic of the Maastricht treaty, including moves within Europe, is that we cease to have British citizenship and have European citizenship instead. If we are all European citizens, why should it matter who stands in local government elections?

Mr. Wilshire: I would love to go down that track, but it would probably be better not to enter into that debate when considering this measure.

My hon. Friend the Minister will be relived to hear that that is all that I want to say. I simply want to flag up the matters that worry me in principle. I do not want to delay the House. I know that my hon. Friend cannot assist me, so we are stuck with the measure for now. However, I wanted to put my views on record for the avoidance of doubt and so that when more substantial changes are being considered in future by hon. Friends on the Front Bench, they will know exactly the direction from which I am coming.

7.33 pm

Mr. David Rendel (Newbury): The speech of the hon. Member for Spelthorne (Mr. Wilshire) was astounding and rather worrying—worrying because it reflected a form of xenophobia that the House should not exhibit, and astounding because it was so poorly argued. If there is any understandable argument for opposing the regulations, they should be opposed as a whole. After all, the power to vote is the real power that the regulations are giving away—the power to enable people to do something about their local area. The ability merely to stand leaves the power in the hands of the electorate. If they decide that they do not wish a so-called foreigner to be their councillor, they can choose not to elect him or her.

Mr. Wilshire: Does the hon. Gentleman accept that that argument is flawed because once an individual is elected to a council, for the next four years there is no means of recalling his or her mandate?

Mr. Rendel: That does not in any sense argue against my point that the electorate have the right not to choose as their councillor somebody who is not a British citizen. How long a person remains a councillor is irrelevant to what happens at the time of an election.

I welcome the final approval of the regulations by the House. They have been delayed for far too long and that is a shame. It is time that all European Union citizens resident in this country were given the right to participate in our local democracy—just as they already participate in many other areas of British life, including paying their taxes.

Mr. Terry Dicks (Hayes and Harlington): What does the hon. Gentleman think of people in Macau being given full Portuguese passports and being able to enter Britain and vote, without having contributed to this country or been residents of the European Union?

Mr. Rendel: They will not, under the regulations, be given the right to vote or to stand, unless they have been resident in this country. It is not true to say that former residents of Macau will have the right to vote in Britain even if they have not been resident in the European Union. They must have been resident on the date on which they were entered on the electoral register the year before.

Sir Teddy Taylor: Although the hon. Gentleman is making a good democratic point, as one would expect of a Liberal Democrat, why should a citizen of the United States of America who has been resident in the hon. Gentleman's constituency for five years, with the right to reside and as a taxpayer, not have the right to vote in council elections? Why no to America but yes to the European Union?

Mr. Rendel: Were I given the chance tonight to approve regulations to allow universal voting rights to people properly resident in this country, paying taxes and playing a full part in local affairs, I would do so. Unfortunately, the Government are not giving us that opportunity, but that is not my fault.

[Mr. Rendel]

That it has taken so long to establish a basic democratic principle for all citizens of the European Union living in Britain is a sad comment on the narrow-mindedness of the British political establishment. The delay cannot simply be blamed on European squabbles about the definition of the word "municipal". The House had the opportunity to approve such regulations at any time of its choosing, regardless of debates proceeding elsewhere on other issues.

It is a fundamental principle of representative government—in this, I agree with the hon. Member for Spelthorne—that all members of a community who are expected to contribute to it on an equal basis should have equal rights to representation. The same even-handed principle applies to other rights and duties. We expect foreign nationals who are permanently resident in British communities to pay their taxes. We expect them to obey our laws. Within the obvious limitations of our archaic legal system, we also uphold the right of foreign nationals to equality under the law. How is it that extending the franchise to active, legitimate members of our community—whether from America or the European Union—has caused so much anguish on the Conservative Benches? Why does the notion of European friends and neighbours being able to take part in the democratic process horrify Conservative Members?

Last week, I spent some time reading the *Hansard* report of a debate on the subject on 1 February 1993. Predictably—then as apparently tonight—one Conservative Member after the next stood up to wave the flag of xenophobia and to raise all sorts of evils that would result from giving foreigners resident in Britain the slightest taste of democratic power. One speaker in that debate was considerably more heated than the rest. He warned of grave threats to Britain as we know it—even to the monarchy itself. Perhaps he feared that some members of the royal household might be tempted to escape to other countries in the European Union, on the basis that they would then have the vote in those countries' local elections. That outraged speaker was of course the hon. Member for Upminster (Sir N. Bonsor)—whom I warned of my reference to him in tonight's debate. I am sorry that he is not present. At that time the hon. Gentleman was a Back Bencher and free to castigate foreign nationals as much as he wished. He has now reached the elevated position of a Foreign Office Minister. What a wonderful and "logical" career progression the Prime Minister has seen fit to give him. The hon. Gentleman berated foreigners—especially the Greeks, for some reason—and he is now a highly paid senior diplomat and Minister in our foreign service.

Not content with mere xenophobia, the hon. Member for Upminster did a grave disservice to local democracy as a whole and to British nationals living abroad. He announced:

> "What advantage does article 8 offer the British people? It gives them rights exercisable in other countries—the right to vote in municipal elections in France, Greece, Italy, Germany, Ireland or Luxembourg. Marvellous. I cannot see any use to the British people in that right."—[*Official Report*, 1 February 1993; Vol. 218, c. 91.]

I can. How can a Member of this place so denigrate the right to vote in local elections? It is an important right and we should all regard it as such. If that is the regard in which local government and local people are held by a senior member of the Conservative party, is it any wonder that year after year the Conservatives are trounced in local elections? The next time that the Conservative party sponges off British expatriates, whether for votes or donations, will it honestly inform them of its Minister who feels that their rights abroad are worthless?

Despite the opposition of so many Conservative Members, at least we have progressed to this point—the regulations are before us. It is a pity though that so many residents of this country were not enfranchised in time for the recent local elections, which were, after all, the largest set in the electoral cycle. Many foreign nationals will now have to wait for nearly four more years before they can put into practice the right that I believe we shall give them tonight to contribute to their local democracy.

Mr. William Cash (Stafford): The hon. Gentleman keeps on referring to foreign nationals and thereby goes beyond the subject in question, which is citizens of the European Union. Does he think that Japanese should vote in local government elections or citizens of the United States? Is he not guilty, in a sense, of the same xenophobia that he is trying to cast on others?

Mr. Rendel: I have already answered an intervention in exactly that form. If the hon. Gentleman had been in his place a few minutes ago he might have heard my answer.

For me the issue is simple. The more members of a particular society who take part in the democratic government of that society, the better. We all agree that low electoral turnouts are bad for democracy. Some of us go to extraordinary lengths to persuade people to exercise their democratic rights. Yet some Conservative Members would prefer that thousands of people living in this country and thousands of British people living abroad had no such rights. I say to them, "What price democracy when petty nationalism invades our political agenda?"

7.42 pm

Sir Teddy Taylor (Southend, East): I expected, as usually happens with European issues, that the Chamber would be virtually empty as a result of most Members having a voluntary strike. That is because Members do not want to ask themselves, "What are we doing and why?" Attendance has been a bit better than usual tonight. For example, we heard the brave speech of my hon. Friend the Member for Spelthorne (Mr. Wilshire). He said what I think every Member knows in his heart, which is that basically the people of Britain are becoming sick to death with the way in which their independence and liberty are being thrown away without their being advised, told or consulted. That is the issue, and it is not taken up by the petty points of the hon. Member for Newbury (Mr. Rendel).

As the hon. Member for Newbury rightly said, however, if there were a proposal before the House that every national resident in Britain should have the right to vote in local government elections, it would be an issue of principle on which he and I would agree. I feel that anyone who is living in a council area and paying local taxes should have participation in democracy. But that is not the issue this evening. My sole point—I plead it before the Government—is that we should tell the people what is going on.

It is sad that with the EU, as a result of small divisions in the past, which are now growing and of which the people are aware, we have a conspiracy of silence on

Government policy. If anyone doubts that, I ask him or her to read a question that I tabled and the answer that I received today from a Treasury Minister. I asked simply about our "net contribution" to the European Union this year and what it was in each of the past 10 years. If that information had been contained in a Government pamphlet, the Government would have replied, "Look up the pamphlet." But it is not. I have been advised that I must turn to Command Paper 2824 to find this year's figure and then to refer to a similar Command Paper for the past 10 years. It is obvious that that absurd bureaucratic nonsense is to avoid stating in *Hansard* how much the people of Britain pay and how much more they are now paying.

The hon. Member for Greenwich (Mr. Raynsford) seems to think that this is a laughing matter. It is not. If he thinks that it is funny, let him go to Hong Kong and then Macau and say to the people, "What are our respective rights?" The hon. Gentleman might wave his hands around, but there is the dreadful possibility that Labour might assume power. By the time that that happens, if it does, Labour will find that the country's freedom to decide virtually anything will have gone.

I want the Government to answer a simple and straightforward question: who will be able to stand for our council elections? We know that there is a definition in the treaty of Rome. When our debates took place, all Members were able to be present throughout. The explanation was "citizens of the Union concerned".

What is a citizen of the Union? He is not only a Frenchman, a German, an Italian or a Belgian. Unless I am terribly wrong—I might be stupid—it is my understanding that citizenship of the Union means basically residency in overseas territories of member states. It is not just citizenship of member states themselves. For example, a Portuguese citizen who lives in Macau is a Portuguese citizen. Macau is 40 miles from Hong Kong. As we know, Hong Kong used to have a close relationship with Britain. We understand now that it is to be transferred to China. What will be the position in two or three years of a resident of Hong Kong and a resident of Macau 40 miles away? I understand that one would be able to vote and the other not.

I draw the attention of my hon. Friend the Minister to annex IV of the Maastricht treaty, which contains a list of overseas territories of member states. It contains places such as Ubangi-Shari, Chad, Gabon, Ruanda-Urundi, French Polynesia, the Netherlands Antilles, Bonaire, Curacao, Saba and Sint Maarten. I understand that French Guinea is an overseas territory of France. Britain, on the other hand, is within a special relationship. Is it true that this consideration applies only to people living on the continent? Does it not apply also, as we well know, to a host of countries throughout the world that happen to be overseas territories of member states? If that is the position, what is the point of giving rights to people living in strange parts of Africa and south-east Asia, for example, unless they are to be given to everyone?

Mr. Cash: My hon. Friend will note that the definition of "citizen of the Union" explicitly excludes Commonwealth citizens. We are conferring a right on those who are citizens of overseas territories as a result of other countries' attachments while our Commonwealth citizens are expressly excluded.

Sir Teddy Taylor: These matters are complex and complicated. I understand that Commonwealth citizens already have the right that we are discussing. What is written in papers that come before us is not usually the whole story. If my hon. Friend were thinking of borrowing money, for example, I would strongly advise him to read the small print of the relevant document. It is so important to take account of the small print.

There is the special question of Gibraltar. Its citizens are going through a nightmare because of the hostility of and pressurising by Spain. Surely the Government are well aware of what is happening. I understand that people in Gibraltar are British citizens. One would expect that as British citizens they would have the right to stand in our council elections. I am told that they do not as citizens of the EU because of a special problem in the treaty. It seems that although Gibraltar is in the Union it is not exactly in it. For example, it is the only part of the Union that has no representation in the European Parliament.

There is always the danger of becoming a Euro-bore and going on and on. I go on only because at almost every debate that involves European issues one more Member attends. My hon. Friend the Member for Spelthorne was so honest when he said that he has been worried for a long time and is now becoming especially worried.

People should wake up to what the idea of European citizenship really means. This is not a question of voting in council elections in Harrow, for instance; we are talking about the beginning of the disappearance of United Kingdom citizenship. Hon. Members may say that that is not true, but they know in their hearts that it is. Slowly, day by day, our liberty and national identity are disappearing. I would have no objection to that if people were consulted, asked or told.

Let me ask the Minister some basic questions. First, is it true that a substantial number of overseas territories throughout the world classify their citizens as citizens of the European Union—places such as Macau, which I have already mentioned? Secondly, if that is true, does it mean that, if resident in this country, those people can stand in council elections? Thirdly, if all those people in those strange countries all over the world can stand in council elections here, why on earth cannot a citizen of the United States have the same right? I feel that this is not an extension of our franchise or an extension of liberty, but merely a further attempt to nail down the new principle of our citizenship of the European Union rather than of a nation.

May I ask the Minister two more specific questions? Will he tell me—with the help of his splendid Foreign Office advisers who visit the area; I only wish that they would tell us what they are actually doing one of these days—what will be the position of Hong Kong and Macau in the year 2000? Will citizens resident in Hong Kong not have this right, while those in Macau will? What is the position of poor old Gibraltar, about which no one seems to care nowadays and which is going down the plughole with no friends or supporters? No one is prepared to shout for Gibraltar, but I hope that we shall start shouting.

I hope that I have followed the example of my hon. Friend the Member for Spelthorne, and said what people are really saying out there tonight.

7.51 pm

Mr. Tony Marlow (Northampton, North): I intend to speak briefly.

[Mr. Tony Marlow]

Like many of my hon. Friends, I was delighted by the encapsulation of Liberal party foreign policy that we were given by the hon. Member for Newbury (Mr. Rendel). He thought that the main priority of any Foreign Office Minister was the interests of foreigners, as it was totally reprehensible to be the slightest bit interested in those of the United Kingdom. That, certainly, is a summation of his speech.

Mr. Rendel: Will the hon. Gentleman give way?

Mr. Marlow: I did want to be brief.

Mr. Rendel: What I said was that it was important for a Foreign Office Minister to look after the interests of our citizens, and their right to vote in other countries.

Mr. Marlow: As far as I could make out, the hon. Gentleman thought it totally reprehensible for a potential Foreign Office Minister to go on about the interests of the United Kingdom and to treat the United Kingdom as his main priority. The hon. Gentleman used that dreadful word "xenophobic". He said that it was unforgivable to take such views; how could a Foreign Minister possibly look foreigners in the eye if he were interested in the interests of the United Kingdom? I shall let that pass, however.

All this follows from the ghastly notion of European citizenship incorporated in the Maastricht treaty, which was one of the crosses that the Government had to bear as the thing was bulldozed through the House against the wishes of a large number of right hon. and hon. Members, and certainly against the wishes and interests of the population of the United Kingdom. We thought then that talk of EU citizenship was a ghastly nonsense. I am sure that Ministers thought that it was a ghastly nonsense when they were ploughing through the briefs before them, but if they did not think so then they certainly think so now. They know that 80 or 90 per cent. of our constituents are totally against this bizarre concept. No one can be a citizen of the European Union and of the United Kingdom at the same time; one must take precedence and priority over the other.

Having accepted—as I think most people now do—that the concept is misguided, why must we bring this nonsense before the House? I suppose that we must do so because it is in the Maastricht treaty; but what will be the consequences if we proceed with the regulations? What are the potential consequences for parliamentary elections? Will my hon. Friend the Minister tell the House categorically that passing these measures this evening will have no implications for such elections—or is this the thin end of the wedge? Does it mean that at some later stage EU citizens will also be entitled to vote in our parliamentary elections?

Will my hon. Friend tell the House where we come in the pecking order? Are we the first to pass the regulations, or the second? What other countries in Europe have passed them, and, if other countries have not passed them, by when do they intend to do so? We are usually the most reluctant to agree to such measures, but we always seem to be the first to implement them. If that has been the case in the past, why is it the case now? Why do we not wait for the Germans and the French to pass regulations—as has been suggested—before forcing them on a reluctant British people, when we know that their heart is not in the issue?

Finally, what will happen if we do not pass the regulations? Will that mean that EU citizens will be able to vote in our local elections in future? If they cannot do that, will they be able to bring a legal case, with potential compensation, against Her Majesty's Government and the House of Commons? What will happen then? Does the House have real powers, or, if it objects, is it merely a cipher, and will the regulations still have their effect? Will my hon. Friend tell the House that?

This week the House will debate its pensions. There has been discussion in the press today about how we should deal with Prime Minister's questions, and later in the week we shall discuss the regulation of our outside interests. I suppose that all those are important issues, but they are relatively trivial in the context of our democracy, how we control it and the powers of the House. Has the House real powers with regard to Europe, or is it a mere cipher? In comparison with Nero fiddling, the House is in danger of becoming an orchestra.

7.56 pm

Mr. William Cash (Stafford): This is yet another example of the slippery slope down which we headed when we debated Maastricht in 1992-93. For example, an English citizen is given no right to a business vote in local government elections by virtue of his having a business. That highly contentious but very important question is not dealt with by the regulations.

We know from a recent survey by Sheffield university that more than 60 per cent. of Conservative Back Benchers said that they did not agree with the Maastricht treaty, although they had voted for it in the Lobby. It is also known that, under the rulings of the European Court of Justice, the word "municipal"—which has already been raised—means "national"; it does not necessarily mean "local government". The Minister is having an interesting conversation with the Whip, but, if he would be good enough to listen, may I ask him for an absolute assurance that there is no question of the word "municipal" ever being interpreted by the British Government as implying a right to vote in general elections? In that event, the slippery slope would become a chasm.

Then there is the question of title 2 itself. Title 2 clearly states that the rights and duties of a so-called European citizen are effectively a blank sheet of paper that will be filled in later. May we have an explicit assurance that in no circumstances will those rights be extended to general elections? Will the Minister ensure—will he put it to the Prime Minister—that the question of an extension of those rights in relation to local government will be expressly included in the agenda for the next intergovernmental conference, so that we can have a clear assurance that such developments will be ruled out with respect to general elections?

There is also the question of the connection between citizenship and movement of persons. My hon. Friend the Member for Southend, East (Sir T. Taylor) has already pointed out that citizenship of the European Union in respect of other countries includes overseas territories. I stand by the point that I made with regard to Commonwealth citizens, and I think that my hon. Friend was right about Gibraltar; but people using the citizenship

of overseas territories that are linked to France, Portugal, Spain and other EU countries have been engaging in illegal immigration. If a member of such an overseas territory has been granted the right to vote in a local government election, it follows that he will be allowed to emigrate to the country in which the election is held. Perhaps the Minister, who is also responsible for immigration, will comment on that. This is not a trivial matter: it is about an invasion of the rights of the people of this country to determine their own identity and make their own decisions in local government elections about those who will represent them.

Sir Teddy Taylor: My hon. Friend should not waste the House's time by seeking assurances from the Government. Article 8E on citizenship makes it abundantly clear that when the powers in the regulations are granted, the Council of Ministers, after consulting the European Parliament, could add to the rights of citizenship without consulting this House. Does he appreciate that under the treaty, which he and I voted against, powers to extend the rights of European citizens have been given to the Council of Ministers who can do that after consulting the European Parliament? Let us not waste time by asking for assurances from the Government or the Opposition, or even from the Liberal Democrats.

Mr. Cash: I am always more than glad to take my hon. Friend's advice. However, I ask for assurances because these matters are always open to interpretation, as is the word "municipal". It is important to be crystal clear. No doubt the Minister will want to say that such an extension under the aegis of the Council of Ministers would apply merely to local or regional government or something of that kind. I want an explicit assurance from the Minister that there is no question whatever of further additions or extensions to citizenship in relation to local government being extended to general elections. I look forward to hearing what the Minister has to say on that.

8.2 pm

Mr. Nicholas Baker: We have had a good and wide-ranging debate and I shall do my best to comment, if briefly, on the matters that have been raised.

The hon. Member for Pontypridd (Dr. Howells) made a good point when he said that he was anxious to see that the new regulations were fairly applied. We are also concerned about that. We are anxious to see that British nationals are not denied rights to vote in other countries in accordance with the directive.

All member states have to declare to which elections the directive will apply. They have all done that, and the list of elections in each country is included as part of the directive. No member state has failed to declare which elections will be applicable, and at the moment we have no reason to believe that any country is behind in preparing for what we are moving towards in this important debate.

Mr. Marlow: Can my hon. Friend tell me in which EU countries United Kingdom citizens are able to vote in local elections?

Mr. Baker: No, I cannot, but I will write to my hon. Friend about that.

I stress that under the directive the laws of member states apply to their local elections. The basis of voting is residence here. Some hon. Members got a little carried away about that. I accept that whether someone is a citizen of the European Union is relevant, but to qualify to vote here that person must be resident in the same way as anyone else.

The hon. Member for Newbury (Mr. Rendel) was a little churlish. We have taken our time in debating these matters. We debated the Maastricht treaty and we have considered the regulations on a number of occasions: they have been gone through thoroughly in Committee. That is a measure of the concern of my colleagues on this matter, and I take issue with the hon. Gentleman over his tone. When he had the nerve to attack my hon. Friend the Minister of State, Foreign and Commonwealth Office, the hon. Member for Upminster (Sir N. Bonsor), he went too far. If the hon. Gentleman did anything, he lost the argument that he was trying to advance. My hon. Friends have described their genuine concerns, and anyone who tries to rub those out or pretend that they do not exist does not deserve to be taken seriously.

My hon. Friend the Member for Spelthorne (Mr. Wilshire) voiced some concerns. We debated the treaty before signing it. The regulations are consequential and we have debated them: they are a continuation of the process. My hon. Friend seems to want to exclude Irish citizens from voting here. We certainly would not do that. Perhaps my hon. Friend does not appreciate the number of Commonwealth citizens who can vote here as it is and it seems that he does not place much value on the fact that when the directive is implemented, our citizens will be able to vote in EU local elections.

Mr. Wilshire: My hon. Friend the Minister misses the point that I think I made in my speech. It is that I do not have any difficulties with people voting here. The point I made was about the people who offer themselves for election.

Mr. Baker: I am sure that my hon. Friend is right. I possibly mistook what he said. However, some comments apply to people who stand for election as well as to those who vote.

I take seriously the concerns of my hon. Friend the Member for Southend, East (Sir T. Taylor). He answered his own question about the directive and its application to Gibraltar. He is right to say that Gibraltar is not part of the electoral territory of the United Kingdom although Gibraltarians are British citizens and those of them who live in the UK can vote here. I shall have to write to my hon. Friend about Hong Kong and Macau. Citizens of the European Union are defined in the treaty and that is where one must look for the definition. In that respect, he again answered his own question. I repeat that the right to vote is based on residence here.

Mr. Marlow: My hon. Friend the Minister spoke about a directive. Which directive has given birth to the regulations?

Mr. Baker: I do not have the records to show that, but the directive to which we are party has at the back of it a list of countries and the elections in which, member states have agreed, the right to vote in local elections shall apply. My hon. Friend and other hon. Members were concerned about the implications for parliamentary elections. I make it quite clear that the directive contains no implications for elections to the House and we do not intend to see that franchise extended. That is a quite

[Mr. Baker]

separate matter. Allied to that is the fact that "municipal" does not mean "national" and the directive cannot be interpreted as applying to general elections here.

The reference that my hon. Friend the Member for Northampton, North (Mr. Marlow) seeks is a directive of the Council of the European Community. The reference is 94/80/EC. That is the one I have in mind. We have had a good debate and I regret that time prevents me from debating these matters at greater length.

Question put and agreed to.

Resolved,

That the draft Local Government Elections (Changes to the Franchise and Qualification of Members) Regulations 1995, which were laid before this House on 26th June, be approved.

STATUTORY INSTRUMENTS, &c.

Motion made, and Question put forthwith pursuant to Standing Order No. 101(5) (Standing Committees on Statutory Instruments, &c.),

LOCAL GOVERNMENT FINANCE

That the Updated Code of Audit Practice for Local Authorities and the National Health Service in England and Wales, dated 23rd June 1995, a copy of which was laid before this House on 27th June, be approved.—[*Mr. Burns.*]

Question agreed to.

Motion made, and Question put forthwith pursuant to Standing Order No. 101(5) (Standing Committees on Statutory Instruments, &c.),

EXPORT AND INVESTMENT GUARANTEES

That the draft Export and Investment Guarantees (Limit on Foreign Currency Commitments) Order 1995, which was laid before this House on 28th June, be approved.—*[Mr. Burns.]*

Question agreed to.

Social Security

8.9 pm

Mr. Keith Bradley (Manchester, Withington): I beg to move,

That an humble Address be presented to Her Majesty, praying that the Housing Benefit (General) Amendment Regulations 1995 (S.I., 1995, No. 1644), dated 28th June 1995, a copy of which was laid before this House on 29th June, be annulled.

Mr. Deputy Speaker (Sir Geoffrey Lofthouse): I understand that with this, it will be convenient to discuss the following motion:

That an humble Address be presented to Her Majesty, praying that the Social Security (Income Support and Claims and Payments) Amendment Regulations 1995 (S.I., 1995, No. 1613), dated 26th June 1995, a copy of which was laid before this House on 29th June, be annulled.

Mr. Bradley: One set of regulations deals with restrictions on housing benefit and the other deals with restrictions on income support for mortgage interest payments. I intend to deal with the latter first as they have already provoked considerable comment and concern both inside and outside the House. They could not be better summed up than by a quotation from an article by the hon. Member for Macclesfield (Mr. Winterton) who, unfortunately, is not with us tonight. In *Roof* magazine in March 1995, he said:

"The proposals to reduce income support for mortgage interest are poor economics, weak housing policy and bad politics."

All Opposition Members agree with that sentiment.

Let us consider the main changes. First, most borrowers with existing agreements at 2 October 1995 will get no income support for their mortgage interest during the first eight weeks of a claim and will get only 50 per cent. during the next 18 weeks. At present, most borrowers get 50 per cent. during the first 16 weeks. In effect, two weeks are added on to that period, with an eight-week period with no income support mortgage interest payments at the beginning.

Secondly, most borrowers who take out new agreements after 2 October will get no income support mortgage interest payment for the first 39 weeks of a claim. That is completely new. Thirdly, income support mortgage interest payments will, in future, be paid only at a standard rate that may be less than the actual rate that a borrower has to pay to the lender. Fourthly, the regulations tighten up definitions of repairs and improvements that are eligible for any payment.

Throughout our deliberations on the matter, the Government have given a clear signal that they want private insurance to replace public provision for mortgage holders who fall on hard times. Indeed, in their memorandum to the Social Security Advisory Committee, the Government referred to their proposals as the "first steps". Surely we must ask where the first steps are leading. Logically, they must be leading to the abolition of income support mortgage interest payments, particularly given some of the Government's arguments in support of the changes. It seems likely that, at the very least, the new restricted periods will be extended in the future.

In fact, the regulations are not the first steps. Over the past few years, the Government have introduced many measures reducing protection. Since 1987, for example, claimants under 60 have had only 50 per cent. of their interest met for the first 16 weeks of a claim. Only interest

on loan capital up to £100,000 is now met and new or increased loans to claimants who have been on income support during the previous 26 weeks are now generally excluded. Those are just some of the measures that the Government have already taken to restrict such payments.

We do not argue that there is no place at all for private provision in mortgage protection schemes. However, we believe that the Government have an important role to play in the protection of home owners who fall on hard times. A home cannot be compared with any other commodity; it is the bedrock of family life and personal security. The consequences of losing one's home are devastating, especially when children are involved. The fear of losing one's home must put an intolerable strain on relationships and on health. Falling into mortgage arrears, which will inevitably be a heightened risk under the new proposals, often triggers a spiralling descent into debt from which it may be impossible for many to extricate themselves.

The Government clearly wish to make savings in the social security budget. What are the real reasons for the growth in that budget? The large rise in the income support mortgage interest payment budget over the past decade and a half is not due to any relaxation in the rules governing it; indeed, the reverse has been the case. The rise is due to the growth in home ownership, especially among those on low incomes who may be more susceptible to unemployment. It is also due to the boom in house prices and the relaxation of credit controls that fuelled it. In addition, there were periods of high interest rates during preceding years. Many of those factors are the direct result of Government policy. They have certainly been outside the control of borrowers who now suffer under the new rules.

Let us now consider what the Government's proposals are to replace income support mortgage interest payments. Let us look at the inadequacy of mortgage protection policies on which the Government rely to protect people. First, certain groups are not covered. The Association of British Insurers, for example, admits that several groups are not able to buy adequate or, indeed, any protection at present. Examples are part-time, seasonal and contract workers, the self-employed and those with pre-existing conditions, especially those who are HIV positive. It is also not possible to insure against the risk of separation. The Government have made no concessions for the various groups of casual workers. That is especially ironic, given that they have been actively encouraging the casualisation of the labour market in recent years—a trend that will, no doubt, continue with the introduction of the jobseeker's allowance next year.

Secondly, there is difficulty in renewing cover. Even when people are initially able to obtain cover, they may not be able to renew it or will be able to renew only on prohibitive terms. Mortgage protection policies offer only short periods, typically 12 months, whereas mortgages are a long-term commitment, usually 25 years. At the end of each 12-month period, the insurer has the option of whether to agree to renew. If the insured has in the meantime developed a chronic illness or is now in less secure employment, the insurer is at liberty not to renew or to make the terms of the policy and the new premium even more stringent. Meanwhile, the insured person retains his or her liability under the mortgage. The Government just do not seem to address the crucial point of the interrelationship between the mortgage terms and the mortgage protection policies that are on offer. I would be grateful for the Minister's comments on that point.

Thirdly, there are disproportionately larger premiums for particular groups of people. I am grateful for the mound of evidence on that point, which has come from many voluntary organisations, such as the Disability Living Alliance, the Child Poverty Action Group and citizens advice bureaux. Those larger premiums affect especially vulnerable groups, such as disabled people or people who have been in and out of work. They are able to obtain insurance, but are likely to have to pay larger premiums. At present, the cost through the mortgage interest system is spread among all taxpayers on the normal principles of equity. That benefit will be lost under the new arrangements.

The Council of Mortgage Lenders has estimated that the proposals will add 10 per cent. to the annual cost of home ownership. For many people who are already struggling to keep their homes, that increased burden may tip the balance and stop them being able to keep their property.

There is also the difficulty of making a claim; much case study work has been done on that. Again, I am grateful to organisations such as the National Association of Citizens Advice Bureaux for providing the Opposition with the relevant material. It is not surprising that insurers insist on relying on the small print when they pay out on their policies. Obviously, the companies are there to make a profit and the commercial reality is that the fewer claims that have to be met, the greater their profits. Although insurers may, for public relations reasons, be keen to portray themselves as prompt payers and willing, as they say, not to make a drama out of a crisis, the reality can be very different for many people who try to make a claim.

Whatever the position of insurers, hardly any policies pay out for the first 60 to 90 days of unemployment. In their response to the Social Security Advisory Committee report, the Government do not even pretend that people will be able to insure for the first eight weeks when existing borrowers will have no income support mortgage interest payments. So how do they justify the rule that prohibits payment during those eight weeks? The Government say that private insurance should cover that, but admit that they have no answer to the claim that that first period is uninsurable.

In many previous debates on the matter, we have heard about the wonders of the Skipton building society. The Labour party recently undertook a survey of building societies, to see exactly what picture is now emerging. The results are, to say the least, interesting. The Nationwide building society, for example, said:

> "The first point to make is that research indicates that less than one third of customers in arrears could have claimed on a private insurance policy. Offering free insurance which provides insufficient cover therefore is misguided. There are categories of borrowers, such as the self-employed, for whom aspects of this insurance would be inappropriate and therefore expensive. In fact, it is likely that policies which do not cover divorce or separation, or cater for the ending of a fixed term contract, will be of little value to many customers."

It goes on to say:

> "We believe the effect on the market place of the new regulations will be to further reduce confidence in the housing market, at a time when this is least appropriate. Without the benefit of ISMI, more borrowers will unfortunately find themselves in arrears, and repossessions could increase."

[Mr. Bradley]

That is just one typical example from the comments that we have received from many building societies that represent the bulk of the market, and the Government should take note. I should be grateful for the Minister's comments on that.

Another example is from the head of lending at the Woolwich building society. He said:

"The housing market is suffering from a dearth of confidence. People are reluctant to take on (or increase) commitments, given the uncertainty over job security, interest rate movements, etc. The restrictions on income support merely serve to further undermine confidence."

The general manager of the Halifax building society said:

"The changes will not be good for the housing market."

Despite all that evidence, the Government are determined to plough ahead with their arrangements.

The Government made some concessions during the consultation period but, at best, the changes that they made could be described as minimal. They may be better described as mean-spirited. New borrowers with pre-existing medical conditions or HIV whose mortgage protection claim is rejected would not be subject to the 39-week no-income-support rule. However, that takes no account of people who cannot obtain insurance in the first place, or cannot renew it, because they will be subject to the eight and 18-week rule. They will be treated like existing borrowers and therefore left without protection for those periods.

In respect of HIV, much work and lobbying has been done by important organisations such as the Terrence Higgins Trust, and the Social Security Department recognises in incapacity benefit the need to deal with that group of people sensitively. Why have the Government rejected the claims and representations made on that point so far? I would value the Minister's comments on that important issue, which is causing immense difficulty for many people who are trying to take out normal commercial insurance.

Similarly, new borrowers who are lone parents and who have been deserted or bereaved will be subject to the eight and 18-week rule at a time when they face emotional and financial pressures. The Government accept that it is not possible to insure against the risk of separation, but make no concession to partners left alone who do not have children, despite the Social Security Advisory Committee's recommendation to the converse. Although carers are exempt from the 39-week rule, they will be subject to the eight and 18-week rule. If they have given up work to look after disabled relatives, they will fall outside mortgage protection insurance because they will have become unemployed voluntarily. There are more and more examples of where minor concessions that the Government have made during the consultation period do not add up to a bean. In practice, they are worthless because insurance policies will not cover key groups of people. The Government must respond to those difficulties.

I shall deal briefly with the introduction of the new standard rate of interest that will apply when calculating income support mortgage interest. In future, interest will generally be paid at a standard rate, not the actual rate that borrowers must pay. In their consultation document, the Government said that there will inevitably be gainers and losers with a system based on an average. Some potential gainers—those with rates of under 5 per cent.—will get income support mortgage interest at their actual rate and will therefore not gain. All potential losers will, by contrast, lose. The Government are putting administrative simplicity before fairness and borrowers with interest rates above the standard rate will inevitably be placed in difficulty.

Moreover, the Government specifically rejected the Social Security Advisory Committee's recommendation that, where borrowers remortgage so that they can get a lower rate, they should be treated as existing borrowers in relation to the new arrangements and therefore be subject to the eight and 18-week rule, not the 39-week rule. The Government insist that they must be subject to the 39-week rule. How do they justify that proposal?

Let us look at the overall effect of the changes. The Council of Mortgage Lenders has estimated that a further 12,000 to 24,000 repossessions a year will take place as a direct result of the changes. Already, nearly 1,000 repossessions take place every week. In addition, the number of borrowers in arrears—currently well over a quarter of a million people are more than six months in arrears—is bound to increase. One can imagine the catalogue of human misery that will result.

The irony is that the savings to the Exchequer are likely to be minimal. The Government estimate that annual savings will eventually be some £200 million. They have provided no detailed costing showing how that figure is arrived at. However, even if it proves accurate, it takes no account of the extra expenditure that other parts of the Government budget, national and local, will have to bear, for example, the housing budget through more homelessness and additional housing benefits, and perhaps the health and social security budgets.

The Government should tackle those problems and the serious problems of repossessions, arrears and negative equity. They must do something to stimulate the housing market rather than pursue these mean-minded measures. I offer a final thought on this subject—a quotation from a recent book of memoirs:

"I was acutely conscious of what interest rate changes meant for those with mortgages . . . borrowers' lives can be shattered overnight by higher interest rates. My economic policy was intended to be a social policy. It was a way to a property owning democracy. And so the needs of home owners must never be forgotten".

That is a quotation from Margaret Thatcher's memoirs, "The Downing Street Years", pages 698-99. Why do the Government no longer want to support home owners in the spirit of their former Prime Minister?

On the Housing Benefit (General) Amendment Regulations, it should be pointed out that those changes have been deferred from October 1995 to January 1996, presumably to avoid administrative chaos. Will the Minister confirm that all the computer systems for the changes will be in place and operational, ready for the new implementation date? We are well aware that the new system poses a number of difficult questions relating to operational matters: how rent officers will determine average rents; how the interface between rent officer service and the housing benefit authorities will work; how the review process will function; the practicalities of running the new and old systems side by side; and so on. I understand that the housing and public services section is involved in detailed discussions with the DSS and the rent officer service on those points, to minimise the problem. Will the Minister give us some details tonight

about how those discussions are going, to ensure that we do not run into administrative chaos when the scheme is finally introduced?

There are several other key points in the regulations that are causing particular concern: first, the introduction of the local reference rent; secondly, the abolition of guaranteed protection for vulnerable groups; and, thirdly, the impact on supported housing schemes.

First, the local reference rent level may be less than a reasonable market rent. The shortfall between the housing benefit paid and the property's market rate is likely to increase financial hardship, rent arrears and eviction. Furthermore, there may be no suitable alternative accommodation at the local reference rent for the person to move to. That could mean a significant increase in homelessness. Again, we have had example after example of how people are unable to meet the shortfall between the rent that they are asked to pay and housing benefit levels. They are expected to pay the shortfall from other meagre benefits, which is unacceptable.

Secondly, at present, certain vulnerable groups, essentially elderly or disabled people and families with children, are exempt from housing benefit high-rent restrictions, unless suitable alternative accommodation is available and it is reasonable to expect the claimant to move. That protection will be abolished and housing benefit authorities will be given a cash-limited grant instead to use to offset, in part or in whole, the effects of cuts in cases of exceptional hardship.

The key purpose behind that proposal is clearly to make savings. On current figures, the Department of Social Security contribution to local exceptional hardship funds will be about one third of the amount that the Department estimates will be necessary to protect the groups currently defined as vulnerable. Housing benefit authorities will be permitted to put in a similar amount from their own resources. The remaining third are presumably expected to move or to persuade their landlords to reduce the rent. DSS estimates show that the savings from those cuts in respect of vulnerable groups—and I stress that we are dealing with such groups—will be £53.1 million at 1995-96 prices. The Social Security Advisory Committee commented in its report on the regulations:

"the cash-limited nature of the proposal appears to make it inevitable that some people who merit extra help will not receive it".

Many organisations have compared that cash-limited budget with the social fund, where the time of the year one goes through the door determines whether one receives help. Again, many vulnerable people will be affected.

Thirdly, there is concern over supported housing schemes. On that point, I and my hon. Friends have received many representations from concerned organisations. During the consultation, the Government made some welcome concessions in respect of accommodation provided by housing associations, registered charities or voluntary organisations that support, supervise, care and provide for the particular needs of a resident, but the new rules pose a particular threat to supported lodgings, including "adult placement" type schemes in the private rented sector. They are not included in the concessions recently extracted from the Government.

As service charges will be counted against the local reference rent, the great majority of such supported lodgings can be expected to be subject to housing benefit cuts in respect of new cases. I am informed that Department of Social Security officials are in communication with the Department of Health on that policy area, but as we are debating the regulations tonight, no details have yet been forthcoming. Will the Government give us information tonight about why they have excluded supported housing schemes in the private rented sector, what discussions are going on with the Department of Health in relation to community care schemes, where the private rented sector is in use by local authorities and approved of by the Government, and why those schemes have been excluded from the concessions that have been made by the Government for other types of supported schemes?

All those changes will have a fundamental impact on housing, whether it be through the income support or housing benefit reductions. One must ask whether those housing benefit changes are necessary. The argument for introducing the changes involves the need to stem the rising cost of that subsidy, which totalled £10 billion in 1994-95. That sum, however, includes benefit paid to local authority tenants and housing association tenants. From 1989 to 1993-94, private sector rents rose by 117 per cent., but local authority rents rose by 77 per cent. and housing association rents by 65 per cent. That shift from bricks and mortar subsidies to personal subsidies in the public sector, along with the deregulation of the private rented sector, has been the real reason for the increased cost of housing benefit.

Further to that, under regulation 11 of the Housing Benefit (General) Regulations 1987, local authorities already have the ability to restrict benefit where the accommodation is over-large or unreasonably expensive. In its report to the Secretary of State, the Social Security Advisory Committee states that, in 1993-94, 17 per cent. of properties referred to rent officers in England and Wales were deemed "over-large" and 33 per cent. of private sector rents referred following housing benefit applications were deemed to be above the market level. We can already see that powers are there for rent officers and local authorities to use existing legislation for proper restrictions on housing benefit where it is clearly inappropriate.

The way in which the Government are tackling these matters is particularly unsound. They will affect vulnerable groups, and create hardship, arrears and further repossessions. We shall vote against the regulations because there are better ways forward. A move towards bricks and mortar subsidy, to provide social housing at rents people can afford, is the best way to restrict the housing benefit budget. The changes to the income support regulations do no more than seriously undermine people's security, and further depress the housing market.

8.36 pm

The Parliamentary Under-Secretary of State for Social Security (Mr. Roger Evans): On 13 July, the right hon. Member for Sedgefield (Mr. Blair) was quoted in *The Times* as saying that he intended not to increase the social security budget, but to change the way in which it was spent. If that be right, we certainly saw no sign of a change in policy in the speech by the hon. Member for Manchester, Withington (Mr. Bradley). He described an expenditure of £200 million a year as minimal—I use his very words—and he has completely overlooked the fact that the Government currently spend £18 billion of

[Mr. Roger Evans]

taxation a year to support housing. The majority, about £11 billion last year, was distributed through the benefit system.

Expenditure through the benefit system on housing has more than doubled since 1988.

Mr. Nick Raynsford (Greenwich): It is your fault.

Mr. Evans: It is amusing to hear the hon. Member for Greenwich (Mr. Raynsford), the Opposition housing spokesman, say, "It is your fault," by which I take it that he means my and the Government's fault rather than yours, Mr. Deputy Speaker. We had an indication of that in the closing remarks by the hon. Member for Withington. Is the Labour party really going back to the dyed in the wool, 1950s bricks and mortar type subsidy, the sort of expenditure that put a family in a house for 50 years? They were in need on the day that they moved in, but 10, 20, 30, 40 years later they were not in need. The whole thing was absurd. The housing queues built up because no one and no Labour local authority would evict tenants. The Conservative party took the right view that people in council houses who no longer qualified under social need should have the right to buy those homes. That has been vastly popular.

Let us turn to the question of income support mortgage interest payments. I shall deal with the matters in the order that the hon. Member for Withington raised them. The point about this proposal is that the existing system is plainly not supporting the housing market adequately. It is all very well to refer to the income support mortgage interest safety net, but 70 per cent. of those people who have been repossessed did not qualify for income support. Three out of four borrowers in arrears are not in receipt of income support.

Mr. Henry McLeish (Fife, Central): So what?

Mr. Evans: The "so what", if the hon. Gentleman wishes to hear it, is simply that if one is talking about devising a safety net, it is a pretty inadequate safety net if it leaves 70 per cent. of people outside the scope of its protection.

Dr. Lynne Jones (Birmingham, Selly Oak): The Minister has claimed that the fact that certain people are not covered is an excuse for withdrawing or certainly reducing the safety net. Does he not agree that that safety net could be enlarged by offering universal housing benefit to help with mortgage interest payments? That may cost the Exchequer more money, but it would be cheaper for the person in the street, whether a taxpayer or someone paying an insurance premium, to have to pay a little bit extra in his or her taxes than to have to pay about £5 a week to take out private insurance for the average mortgage.

Mr. Evans: "A little bit extra on your taxes" is what the Labour party always says when it proposes an enormous extension of state expenditure. A mortgage-housing benefit scheme was costed by the Rowntree Trust in 1992 at £600 million a year. There is no doubt that the kind of schemes that have been proposed by various people involve even greater sums than that. There is a better way forward—one which encourages private responsibility and encourages people to take out insurance.

The Labour party is stuck in the mould of the one male householder supporting his family, but 62 per cent. of mortgages these days are taken out on double incomes.

Dr. Jones *rose—*

Mr. Evans: Let me finish my point and then I shall give way to the hon. Lady.

Should a couple take out a mortgage based on a double income and one of the couple becomes unemployed, the earnings of the other could make the couple ineligible for income support but there will still be a gap in the payments that threatens their home. Income support is not intended to meet that kind of provision. We suggest that there should be a provision for private insurance, where it is necessary to take that out. Not everyone needs to take out private insurance. Some people have some savings; some people have larger amounts of equity; but for a large number of people mortgage protection insurance offers an imaginative and important means of feeling more secure in their homes.

Dr. Jones: With respect, the Minister has not answered my question. It would be cheaper to offer an improved safety net through the Government than to force people—you are now forcing people—to increase their housing costs substantially by taking out private insurance.

Mr. Evans: I am sure, Mr. Deputy Speaker, you are doing no such thing, even if I may stand accused of that.

The point at stake is simple. A private insurance scheme is not necessarily more expensive. The Skipton building society is introducing one free. As for the promises of greater public expenditure from the Labour party, we know that their historic cost is always enormous and much more than the party promised in the first place. It always means the extension of state control at the expense of the hard-earning couple who are working hard to pay their mortgage. Those are the people expected to pay an extra few pounds a week to support socialist taxation.

The Government have sensitively listened to the problems of various groups who may face difficulty with obtaining cover. That is why new borrowers who are carers; those with pre-existing medical conditions or HIV-related illnesses; remand prisoners and deserted partners who have care of children will be treated as existing borrowers.

The new scheme will come in slowly in stages. If people make a decision to move and buy a new house after 2 October, they know what they are taking on and what their responsibilities and problems are. There is opportunity for someone to take out insurance or to make such other provision as is satisfactory to that person's position. At the same time, an existing claimant will continue to be protected. There is, of course, a halfway house for those who do not move but fall into difficulty.

The essential point is that we are talking about new borrowers facing disqualification or non-payment after 2 October for nine months. That is a finite period. Insurance is, classically, suited to meeting finite risks that can be quantified and evaluated by the market and a price properly put upon them. The Government have no proposals to go beyond the stage that we have suggested and nine months is an eminently insurable proposition.

We have carefully clarified the definition of new borrowing to avoid the perverse effects of what happens if someone wants a remortgage on his existing property.

We have introduced a 26-week linking period where requalification periods for insurance may leave borrowers uncovered. We have introduced special rules to "start the clock", if I may put it like that, on the restricted period for those who are not entitled to income support because of excess income or capital. Above all, once housing costs become payable, they will be paid direct to lenders participating in the mortgage direct scheme. That will help to control arrears by ensuring that benefit paid for housing costs is used for that purpose.

The measures that we have set out in the regulations represent the right balance between benefit and insurance provision and ensure that the two mesh together to provide more comprehensive cover for borrowers.

What the hon. Member for Withington has spelt out, with, to be fair, less than the Caledonian gloom of his colleague, the hon. Member for Glasgow, Garscadden (Mr. Dewar) is that somehow or other the changes are bound to have an adverse effect upon the housing market. Compared with our debate on 13 June, what the hon. Member for Withington said was much more measured—

Mr. Donald Dewar (Glasgow, Garscadden): More cheerful.

Mr. Evans: Oh, it will be cheerful. I do not know whether the hon. Member for Garscadden saw the report in *The Herald* on 29 June, which said:

"The Edinburgh Solicitors' Property Centre called its first new conference in 24 years to allay fears of negative equity and present a new report with an upbeat picture of the Scottish housing market . . . chairman George Clark said the volume of misinformation, based on serious problems experienced in the south of England, had reached such a level that it had been decided to take action . . .

'We do not have a problem in Scotland with negative equity . . . He said where people owed more to the bank or building society than their house was worth, it was generally due to them borrowing more than 100 per cent. on the loan or falling into problems with repayments.

'Scotland's property market is definitely not in the doldrums, but our fear at this time is that all this doom and gloom can become a self-fulfilling prophecy.'"

Mr. Dewar *rose—*

Mr. Evans: The hon. Member for Garscadden, to whom I shall happily give way in a moment, may wish to become the doomster of the Scottish property market, but that is not the view of that particular group, which is heavily involved in it.

Mr. Dewar: I am delighted to say that I have no wish to crack jokes with the Minister. Does he not accept that the report of the Edinburgh property centre, which I saw, made one important point, that Scotland's property market was out of line with the experience in the rest of the country? Although I regard Scotland as an enormously important part of the United Kingdom, it represents only about 9 per cent. of the population and probably rather less than that of the property markets.

Mr. Evans: I do not think that any of us noticed on 13 June that Scotland was excepted from the general gloom propounded by the hon. Gentleman about the housing market.

If we are talking about general gloom, I wonder whether the hon. Gentleman also saw the report in the *Financial Times* by Mr. Kaletsky on the question of how the "myth of negative equity" has arisen. *[Interruption.]* Those were the words in the headline in that newspaper. That is why a parliamentary answer was given by the Department of the Environment to the effect that that idea is being looked at. The question is a simple one. It is a question of how, statistically, the figure of over 800,000 households quoted by the Minister at the Department of the Environment somehow has become inflated to well over 1 million people in other reports and other arguments. The point at stake, methodologically, which is significant, is that the definition of negative equity currently used by some commentators appears to have left out the value of the collateral security in the form of the endowment policy, which is an important part of the equation. It is a real asset, which exists to meet the liability.

The arguments about negative equity are a typical example of the unnecessary and highly negative view of the housing market that we have heard from the Opposition, who seem to glory in talking it down. At this point in the business cycle, houses have never been cheaper.

Mr. Dewar: Will the Minister give way?

Mr. Evans: No, I am about to conclude.

Housing has never been cheaper. The opportunities to buy houses have never been better and the relationship between average earnings and average house prices is highly favourable. It is typical that the Labour party has somehow forgotten, or somehow does not seem to understand, the phenomenon of the trade cycle, which has been analysed by commentators for the past 250 years. The point is that recovery will come.

I turn quickly, because I have spoken for longer than I intended, to the second part of the argument: housing benefit. I shall deal with the first question asked by the hon. Member for Withington about the introduction of the new arrangements in January. We have had discussions with local authority representatives and associations. We were persuaded by listening to their careful and reasoned arguments about the difficulties of developing the various—and they are various—computer software systems that they needed longer than we had originally intended to provide. We believe that it was right to accede to their request and we have been assured by them that they will be able to meet smoothly the January 1996 start date.

Mr. Bradley: On that point, can the Minister assure the House that all the information on the subsidy arrangements and changes for new claimants is now available to the software companies so that they can introduce the systems for the local authorities?

Mr. Evans: I am slightly puzzled by that question in the sense that we are debating the very regulations which provide the legal framework for the computer software. I do not understand to what possible additional matter the hon. Gentleman may be referring. As I understand it, we are debating the very regulations which define the scheme in law and from which the software may be written.

Both the regulations—I shall invite my hon. Friends to reject the prayers to annul them—represent a fair balance between defending people's homes and encouraging private responsibility, and the needs of the taxpayer.

8.51 pm

Mr. Michael J. Martin (Glasgow, Springburn): I was interested in what the Minister had to say about Scotland. He appears to have second-hand information from the solicitors of Scotland.

Mr. Dewar: The Edinburgh solicitors.

Mr. Martin: The Edinburgh solicitors, as my hon. Friend says. They are not exactly experts in the suffering endured by some people in Scotland or, indeed, in the rest of the United Kingdom. Houses which used to be sold in a matter of weeks now take nine or 10 months to sell. The Minister and other Ministers have spoken about the mobility of labour and how young people should be able to move around the country to follow jobs. How can they follow jobs to other parts of the country if they cannot sell their homes?

It is easy for the Minister to talk about insurance and mortgage protection, but he must know that many young couples are finding it more and more difficult to get a mortgage, let alone insurance to go with it. Building societies and banks had their fingers burnt over evictions. This Government's policies meant that people found themselves unemployed and could not pay their mortgages, so building societies got into serious difficulties.

When young couples apply for a mortgage they are now asked more and more probing questions, especially about their employment prospects. Both parties in a marriage are asked whether their jobs are secure. As a result, sometimes young couples have to settle for brokers who charge higher interest charges rather than getting help from bigger building societies. They have to shop around to try to find a firm prepared to take them on.

Where I come from, it is not so easy for a young engineer to be able to say that he has a job for life—far from it. Many engineers in the west of Scotland work for employers who may be reasonable, but make it clear to those engineers and to other workers that their jobs are not permanent. That means that it is harder for such people to get a mortgage and very hard for them to get insurance. No insurance company will take on someone who is, for example, on a fixed-term contract for three or four years, and the Minister must know that.

The Minister also states that benefit will cover those who have been deserted by their spouses. But he should be improving the situation and trying to give more assistance to those who have been deserted, particularly deserted wives. If in good faith a wife takes out a joint mortgage with her husband and he leaves her, she has the children to worry about, the emotional stress of her marriage breaking up and she will soon have to try to cope with mortgage payments as well. The Minister must know that that is very difficult.

Surely the Minister should be more interested in weeding out from the housing benefit market unscrupulous landlords who charge tenants well over the odds for property. The tenant does not always have a choice of landlord. The Minister knows that sometimes when a person from Scotland loses his job, say down here in England, he moves back up to Scotland because even without a job, at least he is back in the family circle receiving support from relatives. Sometimes that means the person has to rent a place from a private landlord. Some landlords leave a great deal to be desired. They charge terrible rates for accommodation.

A recent report showed that young students were living in dangerous conditions in my native city of Glasgow. In fact one young student lived in a fire trap, and when fire broke out, he had to jump from a two-storey building. He has been disfigured for life because of an unscrupulous landlord. The Minister should be going after those landlords, not people who are easily exploited.

I know that other hon. Members want to speak, so I shall not speak for too long. Scottish Homes, which is responsible for the housing association movement in Scotland, has brought in a system known as assured tenancies. When a new tenant moves into a housing association property and becomes an assured tenant, he is not able to go to the rent officer. The Minister will also know that those housing associations are getting involved in what is known as joint ventures, where private sector money is being invested in new build. Part of that deal is that the private sector is always able to get its money back.

If the tenants are assured tenants and have no recourse to the rent officer, they face a double problem. They cannot go to the rent officer, so if their rent increases, those who are unfortunate enough to be on social security will not receive any assistance from the Minister's Department. It is time that the Minister tried to help people who are in difficulties rather than trying to hinder them.

8.58 pm

Ms Liz Lynne (Rochdale): The announcement by the Secretary of State for Social Security last month that he was to backtrack on some of the proposals for income support mortgage interest payments and housing benefit was welcome, even though the concessions were only very small. He should not have thought about penalising carers, the sick, remand prisoners, people suffering from AIDS or deserted partners with children in the first place. It is scandalous that he proposed to remove income support and tighten up the housing rules for those people. The housing association charities and the voluntary organisations that provide care and support will, fortunately, be able to function. But, again, the Secretary of State should not have thought of penalising them in the first place.

Vulnerable groups will still face tremendous problems, especially in relation to income support mortgage interest payments. The Secretary of State has accepted only certain of the Social Security Advisory Committee's proposals. I welcome the fact that he has accepted them, but he has not accepted the proposals for seasonal workers and part-time workers. He has not thought about deferring the changes until April 1996, as the Social Security Advisory Committee proposed. He has not introduced help for existing borrowers who switch to a new lender.

The main problem concerns seasonal workers and part-time workers. If people take a job for 12 weeks in the summer and are then out of work, they will lose their benefit. If they do not take that job they will lose their benefit anyway, so they cannot win. Their unemployment benefit will be cut. The Association of British Insurers said that it would not cover seasonal workers and part-time workers, remand prisoners or deserted partners. The Government have made an exception in two of those cases; why not in the third? Why have they not made an exception for seasonal workers and part-time workers? What will happen to that group of people? They will not

be able to obtain benefit and they cannot obtain insurance. They will face repossession and homelessness. It will cost the taxpayer more in the long run.

As for the time scale, the Under-Secretary of State seems to have a blind faith in the fact that everything will be in place by October. Is he seriously telling the House that someone who becomes unemployed in October will be able to receive cover? I should appreciate it if he would clarify that when he answers tonight. The number of people claiming income support for mortgage interest has fallen since 1993, so one would have thought that the Government might have considered the position to be under control. It is a cost-effective way of keeping families housed.

Another stupid policy that the Government have introduced is to penalise those who switch lenders to receive a lower interest rate. All that will happen is that those borrowers will stay with their existing lender and will not switch. In the long term that will cost the Treasury more.

On the subject of housing benefit, I welcome the Government's decision to exempt non-profit-making accommodation offering care, supervision and support, but the Government lack courage. They are not facing up to what has happened and the reasons why the bill for housing benefit has soared. The cost of housing benefit has soared because the Government have forced up council rents and housing association rents and there has also been an increase in rents in the private sector. I know that the Minister will try to deal with that problem, but the growth in housing benefit is a deliberate Government policy. If it were not, why would the Government have introduced policies that have contributed to it? The subsidy for bricks and mortar was removed and given to the individual for housing benefits. The Government's approach is that of a motorist who blames the temperature gauge when the car overheats.

I am concerned about private tenants because they do not have any negotiating strength. What do they do if the landlord will not bring down the rent? They have to move or make up the shortfall from their meagre benefits or low income. The Minister is placing them in an impossible position. There will be a growth in rent arrears and homelessness. According to Shelter's research, in 1993, 19 per cent. of its clients came to see it about rent arrears and housing benefit problems. One fifth of homeless families come from the private rented sector. The reduction in housing benefit for landlords will mean that they will stop performing essential maintenance work. They will say, "We're not getting enough money, so we will not do the repairs." A lot of private rented accommodation is already in an appalling condition. People who cannot afford it may be forced out of rented accommodation and there is often no other low-rent accommodation in their areas.

The Government could assist by releasing the council housing receipts so that local authorities could build more low-rent housing. The Secretary of State for Social Security groans about that but, in trying to shift more people out of local authority housing and into the private rented sector, he has introduced measures that will penalise people in the private rented sector. The Secretary of State is taking entirely the wrong approach.

Local authorities can restrict housing benefit if people are in over-large accommodation or if the accommodation is too expensive. They have the power to do that at present. The Government reforms fall between two stools: they hit the vulnerable and they do not save the taxpayer any money. I oppose the regulations because I believe that they will cause real hardship and increase homelessness. The Government have yet again failed to see the knock-on effect of their actions. Until that lesson is learned, the taxpayer and the most vulnerable in society will continue to suffer.

9.6 pm

Dr. Lynne Jones (Birmingham, Selly Oak): Earlier today the Minister accused my hon. Friend the Member for Glasgow, Garscadden (Mr. Dewar) of being gloomy and doom-laden. However, I listened to the Minister's speech and I detected a rather strong rose-coloured tint to his glasses. He seems completely oblivious to the insecurity and misery that his Government have created among people on average and below-average incomes. The measures that the Government have introduced tonight will do nothing to relieve that sense of insecurity.

The Minister talked about the economic recovery, but the improvements in the market and in the economy that occurred after black Wednesday are now slowing down. There is no wonderful recovery—unless the Government seek to stimulate it artificially with tax cuts, which is presumably what the measures are about. As I attempted to suggest in an earlier exchange, any tax cuts that the Government may hand out before the next election will not compensate for the tax increases that they have imposed already. Nor will they take into account the extra charges that people will have to meet as a result of tonight's measures.

Like his right hon. and hon. Friends, including the Prime Minister, the Minister mentioned the Skipton building society. It has received a lot of free advertising courtesy of Conservative Members in recent weeks. He did not respond to the suggestion that, contrary to what the Minister and his colleagues try to promote, all may not be well in the building society sector. I have been in touch with the 17 building societies that are as large as or have a larger asset base than the Skipton building society, and there is little evidence that they are rushing to follow its lead. The Bradford and Bingley building society said:

"The Society is concerned that the Government is seeking to transfer obligations from the public to the private sector especially when those involved are potentially the most vulnerable in society".

The Nationwide building society said:

"We have no plans to offer 'free' insurance on an ongoing basis as this is not sustainable; the cost involved would have to be covered by borrowers in one way or another".

The Portman building society said that it already offers mortgage protection insurance, and added:

"We currently charge for these services and have no plans to change that policy."

A person with an average mortgage who is worried about insecurity or losing his job is faced with charges of about £5 a week—far more than the Government will give to people on average or below-average incomes in any tax giveaway. The Government seem more concerned about doing away with inheritance tax than helping those on low incomes. I support everything that has been said by Opposition Members in opposition to these mean-minded regulations.

On housing benefit, the Government again will create more misery and will put people at risk. The measure is contradictory to the Government's espoused policy of

[Dr. Lynne Jones]

promoting the private rented sector. In the recent White Paper, the Government recognised that small landlords were worried about ensuring that rent is paid regularly. People on low incomes find it easier to find accommodation if landlords can be confident that rents will be paid. What will the measures do to improve that confidence?

The Government are also promoting rent guarantee schemes, and I am involved in such a scheme in Birmingham. These schemes will be put at risk, as landlords will not be willing to take on people on low incomes if they know that the housing benefit will not cover the rent. Benefits at the moment are not sufficient to enable people to meet any shortfall that may exist.

It is common on the continent for the benefit system not to cover the full cost of rental, but basic benefit on the continent is much more generous than it is here. That may be a practice that we could follow. If we looked at the base amounts of benefit and gave people more money in their pockets, it really would give those people choice. The Government talk about choice, but what choice do people on low incomes and seeking rented accommodation have in Tory Britain? Very little.

Finally, housing associations are extremely concerned about whether the housing associations as managing agents initiative—a ministerial initiative from 1991—can continue. The initiative is a good idea, and was designed to help bring empty private properties back into use. The housing associations say that the scheme will be put in jeopardy unless it is given an exemption from the measure, and they call for the introduction of a mechanism to appeal against rent officer determinations. I have been pretty unkind to the Minister, but perhaps I could finish by asking him—in the nicest possible way—if he will consider exempting such schemes from the regulations, if nothing else.

9.12 pm

Mr. Bradley: I shall be brief in summary. We have had an interesting, if short, debate. I say to the Minister that we are as keen as the Leader of the Opposition to reduce the housing benefit budget. We believe that the problem has been caused by the Government deregulating rents in the Housing Act 1988, and by the way in which they have allowed housing subsidies—through a transfer to the individual from bricks and mortar—to take the strain of their policies. That could be quickly rectified by allowing houses to be built at rents that people can afford. The housing benefit budget would then reduce.

The Minister redefined negative equity for us tonight. It was a useful new concept. He said that mortgage holders must take account of the proceeds of their endowment mortgage which they may get in 25 years' time if they manage to make all the payments during that period and if they have not moved in the meantime to a house whose price was lower than the mortgage they wanted. That was some new evidence on negative equity, for which the public outside will be grateful. They now know that they are not in negative equity, even if the figures that they have for their mortgage and for their current house price would tend to confirm that they are. I am grateful to the Minister for his new analysis of that matter.

I must press the Minister on two issues. First, will he confirm that most private insurance policies do not pay out for the first 60 or, more usually, 90 days? How are people to take out private insurance to cover the first eight-week gap that the Government are creating by their change in policy?

Secondly, and most important, the Minister did not comment on private rented supported housing schemes. I asked him a number of questions, but why did he not answer them? Why have such schemes not been included in the concessions? Many bodies such as local authorities use organisations like Barnardo's which then use high-quality, carefully monitored, private sector housing schemes, especially adult placement schemes. Why will these now be subject to benefit cuts under the new regulations? I must press the Minister for answers.

As I said, we shall be voting against the regulations because they are a testament to the Government's inadequate response to people's real needs, whether they be in the private rented sector or own their own homes.

9.15 pm

Mr. Roger Evans: The hon. Member for Manchester, Withington (Mr. Bradley) should treat Mr. Kaletsky with a little more care. Significantly, Mr. Kaletsky's point was that statisticians have assumed for the purpose of negative equity that repayment mortgages are 100 per cent. of the market whereas we know that they were less than 20 per cent. at the material time. Statistically that is rather important. People's endowment policies after, say, five years—most of the mortgages that went wrong were taken out five years ago at the height of the boom—have a substantial value. It is nonsense to compare like with dislike. *[Interruption.]* The hon. Gentleman appears wholly unaware of the fact that quite apart from cashing them in, or surrendering them with a penalty, one can assign such things. They do have a value and are perfectly acceptable security. He is simply showing ignorance of the commercial world.

The hon. Gentleman also asked me about private insurance and why there was a 60 or 90-day waiting period. Lending institutions have already accepted that such a pause at the beginning is not going to be a ground for repossession. The hon. Gentleman should understand that when one takes out insurance, the longer the waiting period for which one opts—it may be a matter of choice if one has savings or equity—the cheaper the insurance. That is sensibly a matter for individual judgment and negotiation.

The hon. Member for Rochdale (Ms Lynne) mentioned the cost of insurance. Building societies' margins are at a historic two-decade high of 2 per cent., which is why the Skipton building society is able to offer this insurance free. It is also why, despite a private Labour party survey from which we heard only two examples and a private enterprise survey of which we heard from another Labour Member, we are assured by the Association of British Insurers that insurance will be in place for the October start date. The Association of British Insurers would be very unhappy about any deferment.

The hon. Member for Glasgow, Springburn (Mr. Martin) expressed concern about landlords. However, the Government are concerned that under the existing arrangements some landlords in some circumstances have

been dealing neither sensibly nor fairly with tenants or taxpayers. The purpose of the local reference rent system is to introduce an element of control.

Question put:—

The House divided: Ayes 234, Noes 256.

Division No. 206] **[9.18 pm**

AYES

Abbott, Ms Diane
Adams, Mrs Irene
Ainger, Nick
Ainsworth, Robert *(Cov'try NE)*
Allen, Graham
Anderson, Donald *(Swansea E)*
Anderson, Ms Janet *(Ros'dale)*
Ashton, Joe
Austin-Walker, John
Banks, Tony *(Newham NW)*
Barnes, Harry
Barron, Kevin
Battle, John
Bayley, Hugh
Beckett, Rt Hon Margaret
Beith, Rt Hon A J
Bell, Stuart
Benn, Rt Hon Tony
Bennett, Andrew F
Bermingham, Gerald
Berry, Roger
Betts, Clive
Blunkett, David
Boateng, Paul
Bradley, Keith
Bray, Dr Jeremy
Brown, Gordon *(Dunfermline E)*
Brown, N *(N'c'tle upon Tyne E)*
Burden, Richard
Byers, Stephen
Cabom, Richard
Callaghan, Jim
Campbell, Mrs Anne *(C'bridge)*
Campbell, Menzies *(Fife NE)*
Campbell, Ronnie *(Blyth V)*
Campbell-Savours, D N
Cann, Jamie
Chidgey, David
Chisholm, Malcolm
Church, Judith
Clapham, Michael
Clark, Dr David *(South Shields)*
Clarke, Eric *(Midlothian)*
Clarke, Tom *(Monklands W)*
Clelland, David
Clwyd, Mrs Ann
Coffey, Ann
Cohen, Harry
Connarty, Michael
Cook, Frank *(Stockton N)*
Cook, Robin *(Livingston)*
Corbett, Robin
Corbyn, Jeremy
Corston, Jean
Cousins, Jim
Cox, Tom
Cummings, John
Cunliffe, Lawrence
Cunningham, Jim *(Covy SE)*
Darling, Alistair
Davies, Bryan *(Oldham C'tral)*
Davis, Terry *(B'ham, H'dge Hl)*
Denham, John
Dewar, Donald
Dixon, Don
Dobson, Frank
Donohoe, Brian H
Dowd, Jim
Dunwoody, Mrs Gwyneth
Eagle, Ms Angela
Eastham, Ken
Etherington, Bill
Evans, John *(St Helens N)*
Faulds, Andrew
Field, Frank *(Birkenhead)*
Flynn, Paul
Foster, Rt Hon Derek
Foster, Don *(Bath)*
Fraser, John
Fyfe, Maria
Galbraith, Sam
Gapes, Mike
Garrett, John
George, Bruce
Gerrard, Neil
Godman, Dr Norman A
Godsiff, Roger
Golding, Mrs Llin
Graham, Thomas
Griffiths, Win *(Bridgend)*
Gunnell, John
Hain, Peter
Hanson, David
Hardy, Peter
Harman, Ms Harriet
Harvey, Nick
Hattersley, Rt Hon Roy
Henderson, Doug
Hill, Keith *(Streatham)*
Hinchliffe, David
Hodge, Margaret
Hoey, Kate
Hogg, Norman *(Cumbernauld)*
Hood, Jimmy
Hoon, Geoffrey
Howarth, George *(Knowsley North)*
Howells, Dr. Kim *(Pontypridd)*
Hoyle, Doug
Hughes, Kevin *(Doncaster N)*
Hughes, Robert *(Aberdeen N)*
Hughes, Roy *(Newport E)*
Hutton, John
Illsley, Eric
Ingram, Adam
Jackson, Glenda *(H'stead)*
Jackson, Helen *(Shef'ld, H)*
Jamieson, David
Janner, Greville
Johnston, Sir Russell
Jones, Barry *(Alyn and D'side)*
Jones, Jon Owen *(Cardiff C)*
Jones, Lynne *(B'ham S O)*
Jones, Martyn *(Clwyd, SW)*
Jones, Nigel *(Cheltenham)*
Jowell, Tessa
Keen, Alan
Kennedy, Jane *(L'pool Br'dg'n)*
Khabra, Piara S
Kilfoyle, Peter
Kirkwood, Archy
Lestor, Joan *(Eccles)*
Lewis, Terry
Litherland, Robert
Livingstone, Ken
Loyden, Eddie
Lynne, Ms Liz
McAllion, John
McCartney, Ian
Macdonald, Calum
McKelvey, William
Mackinlay, Andrew
McLeish, Henry
McMaster, Gordon
McNamara, Kevin
MacShane, Denis
McWilliam, John
Madden, Max
Maddock, Diana
Mahon, Alice
Marshall, David *(Shettleston)*
Marshall, Jim *(Leicester, S)*
Martin, Michael J *(Springburn)*
Martlew, Eric
Maxton, John
Meale, Alan
Michael, Alun
Michie, Bill *(Sheffield Heeley)*
Michie, Mrs Ray *(Argyll & Bute)*
Milburn, Alan
Miller, Andrew
Mitchell, Austin *(Gt Grimsby)*
Molyneaux, Rt Hon James
Moonie, Dr Lewis
Morgan, Rhodri
Morris, Rt Hon Alfred *(Wy'nshawe)*
Morris, Rt Hon John *(Aberavon)*
Mowlam, Marjorie
Mudie, George
Mullin, Chris
Oakes, Rt Hon Gordon
O'Brien, Mike *(N W'kshire)*
O'Brien, William *(Normanton)*
Olner, Bill
O'Neill, Martin
Orme, Rt Hon Stanley
Pearson, Ian
Pendry, Tom
Pike, Peter L
Powell, Ray *(Ogmore)*
Prentice, Gordon *(Pendle)*
Primarolo, Dawn
Purchase, Ken
Quin, Ms Joyce
Radice, Giles
Randall, Stuart
Raynsford, Nick
Rendel, David
Robinson, Geoffrey *(Co'try NW)*
Roche, Mrs Barbara
Rogers, Allan
Rooker, Jeff
Rooney, Terry
Ross, Ernie *(Dundee W)*
Ross, William *(E Londonderry)*
Rowlands, Ted
Ruddock, Joan
Sedgemore, Brian
Sheerman, Barry
Sheldon, Rt Hon Robert
Shore, Rt Hon Peter
Short, Clare
Skinner, Dennis
Smith, Chris *(Is'ton S & F'sbury)*
Smith, Llew *(Blaenau Gwent)*
Smyth, The Reverend Martin
Snape, Peter
Spearing, Nigel
Spellar, John
Steel, Rt Hon Sir David
Steinberg, Gerry
Stevenson, George
Strang, Dr. Gavin
Straw, Jack
Sutcliffe, Gerry
Taylor, Mrs Ann *(Dewsbury)*
Taylor, Matthew *(Truro)*
Thompson, Jack *(Wansbeck)*
Timms, Stephen
Tipping, Paddy
Touhig, Don
Turner, Dennis
Tyler, Paul
Wardell, Gareth *(Gower)*
Wareing, Robert N
Watson, Mike
Welsh, Andrew
Wicks, Malcolm
Williams, Rt Hon Alan *(Sw'n W)*
Williams, Alan W *(Carmarthen)*
Winnick, David
Wise, Audrey
Worthington, Tony
Wray, Jimmy
Wright, Dr Tony
Young, David *(Bolton SE)*

Tellers for the Ayes:
Mr. Joe Benton and
Ms Estelle Morris.

NOES

Ainsworth, Peter *(East Surrey)*
Alexander, Richard
Alison, Rt Hon Michael *(Selby)*
Allason, Rupert *(Torbay)*
Amess, David
Arbuthnot, James
Arnold, Jacques *(Gravesham)*
Arnold, Sir Thomas *(Hazel Grv)*
Ashby, David
Atkinson, David *(Bour'mouth E)*
Atkinson, Peter *(Hexham)*
Baker, Rt Hon Kenneth *(Mole V)*
Baker, Nicholas *(North Dorset)*
Baldry, Tony
Banks, Matthew *(Southport)*
Banks, Robert *(Harrogate)*
Bates, Michael
Batiste, Spencer
Bellingham, Henry
Bendall, Vivian
Beresford, Sir Paul
Biffen, Rt Hon John
Booth, Hartley
Boswell, Tim
Bottomley, Peter *(Eltham)*
Bottomley, Rt Hon Virginia
Bowden, Sir Andrew
Bowis, John
Boyson, Rt Hon Sir Rhodes
Brandreth, Gyles
Brazier, Julian
Bright, Sir Graham
Brooke, Rt Hon Peter
Browning, Mrs Angela
Bruce, Ian *(Dorset)*
Burns, Simon
Burt, Alistair
Butcher, John
Butler, Peter
Butterfill, John

Carlisle, Sir Kenneth *(Lincoln)*
Carrington, Matthew
Carttiss, Michael
Cash, William
Chapman, Sir Sydney
Clappison, James
Clark, Dr Michael *(Rochford)*
Clifton-Brown, Geoffrey
Coe, Sebastian
Colvin, Michael
Congdon, David
Conway, Derek
Coombs, Anthony *(Wyre For'st)*
Coombs, Simon *(Swindon)*
Cope, Rt Hon Sir John
Cormack, Sir Patrick
Cran, James
Currie, Mrs Edwina *(S D'by'shire)*
Curry, David *(Skipton & Ripon)*
Davies, Quentin *(Stamford)*
Day, Stephen
Deva, Nirj Joseph
Devlin, Tim
Dicks, Terry
Dorrell, Rt Hon Stephen
Douglas-Hamilton, Lord James
Dover, Den
Duncan, Allan
Duncan-Smith, Iain
Dunn, Bob
Durant, Sir Anthony
Dykes, Hugh
Elletson, Harold
Emery, Rt Hon Sir Peter
Evans, David *(Welwyn Hatfield)*
Evans, Jonathan *(Brecon)*
Evans, Roger *(Monmouth)*
Evennett, David
Faber, David
Fabricant, Michael
Fenner, Dame Peggy
Field, Barry *(Isle of Wight)*
Forth, Eric
Fox, Dr Liam *(Woodspring)*
Fox, Sir Marcus *(Shipley)*
Freeman, Rt Hon Roger
French, Douglas
Gale, Roger
Gallie, Phil
Gardiner, Sir George
Garnier, Edward
Gill, Christopher
Goodlad, Rt Hon Alastair
Goodson-Wickes, Dr Charles
Grant, Sir A *(SW Cambs)*
Greenway, Harry *(Ealing N)*
Greenway, John *(Ryedale)*
Griffiths, Peter *(Portsmouth, N)*
Gummer, Rt Hon John Selwyn
Hague, Rt Hon William
Hamilton, Rt Hon Sir Archibald
Hamilton, Neil *(Tatton)*
Hampson, Dr Keith
Hanley, Rt Hon Jeremy
Hannam, Sir John
Harris, David
Haselhurst, Sir Alan
Hawkins, Nick
Hawksley, Warren
Hayes, Jerry
Heald, Oliver
Heathcoat-Amory, David
Hendry, Charles
Hicks, Robert
Higgins, Rt Hon Sir Terence
Hill, James *(Southampton Test)*
Horam, John
Howarth, Alan *(Strat'rd-on-A)*
Howell, Rt Hon David *(G'dford)*
Hughes, Robert G *(Harrow W)*
Hunt, Rt Hon David *(Wirral W)*
Hunt, Sir John *(Ravensbourne)*
Hunter, Andrew
Hurd, Rt Hon Douglas
Jack, Michael
Jackson, Robert *(Wantage)*
Jenkin, Bernard
Jessel, Toby
Johnson Smith, Sir Geoffrey
Jones, Gwilym *(Cardiff N)*
Jones, Robert B *(W Hertfdshr)*
Kellett-Bowman, Dame Elaine
Key, Robert
King, Rt Hon Tom
Kirkhope, Timothy
Knapman, Roger
Knight, Mrs Angela *(Erewash)*
Knight, Greg *(Derby N)*
Knight, Dame Jill *(Bir'm E'st'n)*
Knox, Sir David
Kynoch, George *(Kincardine)*
Lait, Mrs Jacqui
Lamont, Rt Hon Norman
Lawrence, Sir Ivan
Legg, Barry
Leigh, Edward
Lennox-Boyd, Sir Mark
Lester, Jim *(Broxtowe)*
Lidington, David
Lightbown, David
Lilley, Rt Hon Peter
Lloyd, Rt Hon Sir Peter *(Fareham)*
Lord, Michael
Luff, Peter
MacGregor, Rt Hon John
MacKay, Andrew
McLoughlin, Patrick
McNair-Wilson, Sir Patrick
Madel, Sir David
Maitland, Lady Olga
Malone, Gerald
Mans, Keith
Marland, Paul
Marlow, Tony
Marshall, Sir Michael *(Arundel)*
Martin, David *(Portsmouth S)*
Merchant, Piers
Mitchell, Andrew *(Gedling)*
Mitchell, Sir David *(NW Hants)*
Moate, Sir Roger
Monro, Rt Hon Sir Hector
Montgomery, Sir Fergus
Nelson, Anthony
Neubert, Sir Michael
Newton, Rt Hon Tony
Nicholls, Patrick
Nicholson, David *(Taunton)*
Nicholson, Emma *(Devon West)*
Onslow, Rt Hon Sir Cranley
Oppenheim, Phillip
Ottaway, Richard
Page, Richard
Paice, James
Patnick, Sir Irvine
Patten, Rt Hon John
Pawsey, James
Peacock, Mrs Elizabeth
Porter, Barry *(Wirral S)*
Porter, David *(Waveney)*
Powell, William *(Corby)*
Renton, Rt Hon Tim
Richards, Rod
Riddick, Graham
Robathan, Andrew
Robertson, Raymond *(Ab'd'n S)*
Robinson, Mark *(Somerton)*
Roe, Mrs Marion *(Broxbourne)*
Rowe, Andrew *(Mid Kent)*
Rumbold, Rt Hon Dame Angela
Sackville, Tom
Sainsbury, Rt Hon Sir Timothy
Shaw, David *(Dover)*
Shaw, Sir Giles *(Pudsey)*
Shephard, Rt Hon Gillian
Shepherd, Colin *(Hereford)*
Shepherd, Richard *(Aldridge)*
Shersby, Sir Michael
Sims, Roger
Smith, Sir Dudley *(Warwick)*
Smith, Tim *(Beaconsfield)*
Spencer, Sir Derek
Spicer, Michael *(S Worcs)*
Spink, Dr Robert
Spring, Richard
Sproat, Iain
Squire, Robin *(Hornchurch)*
Stanley, Rt Hon Sir John
Stephen, Michael
Stern, Michael
Stewart, Allan
Streeter, Gary
Sumberg, David
Sweeney, Walter
Sykes, John
Tapsell, Sir Peter
Taylor, Ian *(Esher)*
Taylor, John M *(Solihull)*
Taylor, Sir Teddy *(Southend, E)*
Temple-Morris, Peter
Thomason, Roy
Thompson, Patrick *(Norwich N)*
Thornton, Sir Malcolm
Thurnham, Peter
Townend, John *(Bridlington)*
Townsend, Cyril D *(Bexl'yh'th)*
Tredinnick, David
Trend, Michael
Trotter, Neville
Twinn, Dr Ian
Vaughan, Sir Gerard
Waldegrave, Rt Hon William
Walden, George
Walker, Bill *(N Tayside)*
Waller, Gary
Wardle, Charles *(Bexhill)*
Waterson, Nigel
Watts, John
Whitney, Ray
Whittingdale, John
Widdecombe, Ann
Wiggin, Sir Jerry
Willetts, David
Wilshire, David
Wolfson, Mark
Yeo, Tim
Young, Rt Hon Sir George

Tellers for the Noes:
Mr. Timothy Wood and
Mr. Bowen Wells.

Question accordingly negatived.

Motion made, and Question put,

That an humble Address be presented to Her Majesty, praying that the Social Security (Income Support and Claims and Payments) Amendment Regulations 1995 (S. I., 1995, No. 1613), dated 26th June 1995, a copy of which was laid before this House on 29th June, be annulled.—*[Mr. Dewar.]*

The House divided: Ayes 236, Noes 252.

Division No. 207] **[9.31 pm**

AYES

Abbott, Ms Diane
Adams, Mrs Irene
Ainger, Nick
Ainsworth, Robert *(Cov'try NE)*
Allen, Graham
Anderson, Donald *(Swansea E)*
Anderson, Ms Janet *(Ros'dale)*
Ashton, Joe
Austin-Walker, John
Banks, Tony *(Newham NW)*
Barnes, Harry
Barron, Kevin
Battle, John
Bayley, Hugh
Beckett, Rt Hon Margaret
Beith, Rt Hon A J
Bell, Stuart
Benn, Rt Hon Tony
Bennett, Andrew F
Bermingham, Gerald
Berry, Roger
Betts, Clive
Blunkett, David
Boateng, Paul
Bradley, Keith
Bray, Dr Jeremy
Brown, Gordon *(Dunfermline E)*
Brown, N *(N'c'tle upon Tyne E)*
Burden, Richard
Byers, Stephen
Cabom, Richard
Callaghan, Jim
Campbell, Mrs Anne *(C'bridge)*
Campbell, Menzies *(Fife NE)*
Campbell, Ronnie *(Blyth V)*
Campbell-Savours, D N
Cann, Jamie
Chidgey, David
Chisholm, Malcolm
Church, Judith
Clapham, Michael
Clark, Dr David *(South Shields)*
Clarke, Eric *(Midlothian)*
Clarke, Tom *(Monklands W)*
Clelland, David
Clwyd, Mrs Ann
Coffey, Ann
Cohen, Harry
Connarty, Michael
Cook, Frank *(Stockton N)*
Cook, Robin *(Livingston)*
Corbett, Robin
Corbyn, Jeremy
Corston, Jean

Cousins, Jim
Cox, Tom
Cummings, John
Cunliffe, Lawrence
Cunningham, Jim *(Covy SE)*
Darling, Alistair
Davies, Bryan *(Oldham C'tral)*
Davis, Terry *(B'ham, H'dge Hl)*
Denham, John
Dewar, Donald
Dixon, Don
Dobson, Frank
Donohoe, Brian H
Dowd, Jim
Dunwoody, Mrs Gwyneth
Eagle, Ms Angela
Eastham, Ken
Etherington, Bill
Evans, John *(St Helens N)*
Faulds, Andrew
Field, Frank *(Birkenhead)*
Flynn, Paul
Foster, Rt Hon Derek
Foster, Don *(Bath)*
Fraser, John
Fyfe, Maria
Galbraith, Sam
Gapes, Mike
Garrett, John
George, Bruce
Gerrard, Neil
Godman, Dr Norman A
Godsiff, Roger
Golding, Mrs Llin
Graham, Thomas
Griffiths, Win *(Bridgend)*
Gunnell, John
Hain, Peter
Hanson, David
Hardy, Peter
Harman, Ms Harriet
Harvey, Nick
Hattersley, Rt Hon Roy
Henderson, Doug
Hill, Keith *(Streatham)*
Hinchliffe, David
Hodge, Margaret
Hoey, Kate
Hogg, Norman *(Cumbernauld)*
Hood, Jimmy
Hoon, Geoffrey
Howarth, George *(Knowsley North)*
Howells, Dr. Kim *(Pontypridd)*
Hoyle, Doug
Hughes, Kevin *(Doncaster N)*
Hughes, Robert *(Aberdeen N)*
Hughes, Roy *(Newport E)*
Hutton, John
Illsley, Eric
Ingram, Adam
Jackson, Glenda *(H'stead)*
Jackson, Helen *(Shef'ld, Hl)*
Jamieson, David
Janner, Greville
Johnston, Sir Russell
Jones, Barry *(Alyn and D'side)*
Jones, Jon Owen *(Cardiff C)*
Jones, Lynne *(B'ham S O)*
Jones, Martyn *(Clwyd, SW)*
Jones, Nigel *(Cheltenham)*
Jowell, Tessa
Keen, Alan
Kennedy, Jane *(L'pool Br'dg'n)*
Khabra, Piara S
Kilfoyle, Peter
Kirkwood, Archy
Lestor, Joan *(Eccles)*
Lewis, Terry
Litherland, Robert
Livingstone, Ken
Loyden, Eddie
Lynne, Ms Liz
McAllion, John
McCartney, Ian
Macdonald, Calum
McKelvey, William
Mackinlay, Andrew
McLeish Henry
McMaster, Gordon
McNamara, Kevin
MacShane, Denis
McWilliam, John
Madden, Max
Maddock, Diana
Mahon, Alice
Marshall, David *(Shettleston)*
Marshall, Jim *(Leicester, S)*
Martin, Michael J *(Springburn)*
Martlew, Eric
Maxton, John
Meacher, Michael
Meale, Alan
Michael, Alun
Michie, Bill *(Sheffield Heeley)*
Michie, Mrs Ray *(Argyll & Bute)*
Milburn, Alan
Miller, Andrew
Mitchell, Austin *(Great Grimsby)*
Molyneaux, Rt Hon James
Moonie, Dr Lewis
Morgan, Rhodri
Morris, Rt Hon Alfred *(Wy'nshawe)*
Morris, Rt Hon John *(Aberavon)*
Mowlam, Marjorie
Mudie, George
Mullin, Chris
Oakes, Rt Hon Gordon
O'Brien, Mike *(N W'kshire)*
O'Brien, William *(Normanton)*
Olner, Bill
O'Neill, Martin
Orme, Rt Hon Stanley
Pearson, Ian
Pendry, Tom
Pike, Peter L
Powell, Ray *(Ogmore)*
Prentice, Gordon *(Pendle)*
Primarolo, Dawn
Purchase, Ken
Quin, Ms Joyce
Radice, Giles
Randall, Stuart
Raynsford, Nick
Rendel, David
Robinson, Geoffrey *(Co'try NW)*
Roche, Mrs Barbara
Rogers, Allan
Rooker, Jeff
Rooney, Terry
Ross, Ernie *(Dundee West)*
Ross, William *(E Londonderry)*
Rowlands, Ted
Ruddock, Joan
Sedgemore, Brian
Sheerman, Barry
Sheldon, Rt Hon Robert
Shore, Rt Hon Peter
Short, Clare
Skinner, Dennis
Smith, Chris *(Is'ton S & F'sbury)*
Smith, Llew *(Blaenau Gwent)*
Smyth, The Reverend Martin
Snape, Peter
Spearing, Nigel
Spellar, John
Steel, Rt Hon Sir David
Steinberg, Gerry
Stevenson, George
Strang, Dr. Gavin
Straw, Jack
Sutcliffe, Gerry
Taylor, Mrs Ann *(Dewsbury)*
Taylor, Matthew *(Truro)*
Thompson, Jack *(Wansbeck)*
Timms, Stephen
Tipping, Paddy
Touhig, Don
Turner, Dennis
Tyler, Paul
Wardell, Gareth *(Gower)*
Wareing, Robert N
Watson, Mike
Welsh, Andrew
Wicks, Malcolm
Williams, Rt Hon Alan *(Sw'n W)*
Williams, Alan W *(Carmarthen)*
Winnick, David
Wise, Audrey
Worthington, Tony
Wray, Jimmy
Wright, Dr Tony
Young, David *(Bolton SE)*

Tellers for the Ayes:
Mr. Joe Benton and
Ms Estelle Morris.

NOES

Ainsworth, Peter *(East Surrey)*
Alexander, Richard
Alison, Rt Hon Michael *(Selby)*
Allason, Rupert *(Torbay)*
Amess, David
Arbuthnot, James
Arnold, Jacques *(Gravesham)*
Arnold, Sir Thomas *(Hazel Grv)*
Ashby, David
Atkinson, David *(Bour'mouth E)*
Atkinson, Peter *(Hexham)*
Baker, Rt Hon Kenneth *(Mole V)*
Baker, Nicholas *(North Dorset)*
Baldry, Tony
Banks, Matthew *(Southport)*
Bates, Michael
Batiste, Spencer
Bellingham, Henry
Bendall, Vivian
Beresford, Sir Paul
Biffen, Rt Hon John
Booth, Hartley
Boswell, Tim
Bowden, Sir Andrew
Bowis, John
Boyson, Rt Hon Sir Rhodes
Brandreth, Gyles
Brazier, Julian
Bright, Sir Graham
Brooke, Rt Hon Peter
Browning, Mrs Angela
Bruce, Ian *(Dorset)*
Burns, Simon
Burt, Alistair
Butcher, John
Butler, Peter
Butterfill, John
Carlisle, Sir Kenneth *(Lincoln)*
Carrington, Matthew
Carttiss, Michael
Cash, William
Chapman, Sir Sydney
Clappison, James
Clifton-Brown, Geoffrey
Coe, Sebastian
Colvin, Michael
Congdon, David
Conway, Derek
Coombs, Anthony *(Wyre For'st)*
Coombs, Simon *(Swindon)*
Cope, Rt Hon Sir John
Cormack, Sir Patrick
Cran, James
Currie, Mrs Edwina *(S D'by'shr)*
Curry, David *(Skipton & Ripon)*
Davies, Quentin *(Stamford)*
Day, Stephen
Deva, Nirj Joseph
Devlin, Tim
Dicks, Terry
Dorrell, Rt Hon Stephen
Douglas-Hamilton, Lord James
Dover, Den
Duncan, Alan
Duncan-Smith, Iain
Dunn, Bob
Durant, Sir Anthony
Dykes, Hugh
Elletson, Harold
Emery, Rt Hon Sir Peter
Evans, David *(Welwyn Hatfield)*
Evans, Jonathan *(Brecon)*
Evans, Roger *(Monmouth)*
Evennett, David
Faber, David
Fabricant, Michael
Fenner, Dame Peggy
Field, Barry *(Isle of Wight)*
Forth, Eric
Fowler, Rt Hon Sir Norman
Fox, Sir Marcus *(Shipley)*
Freeman, Rt Hon Roger
French, Douglas
Gallie, Phil
Gardiner, Sir George
Garnier, Edward
Gill, Christopher
Goodlad, Rt Hon Alastair
Goodson-Wickes, Dr Charles
Grant, Sir A *(SW Cambs)*
Greenway, Harry *(Ealing N)*
Greenway, John *(Ryedale)*
Griffiths, Peter *(Portsmouth, N)*
Gummer, Rt Hon John Selwyn
Hague, Rt Hon William
Hamilton, Rt Hon Sir Archibald
Hamilton, Neil *(Tatton)*
Hampson, Dr Keith
Hanley, Rt Hon Jeremy
Hannam, Sir John
Harris, David
Haselhurst, Sir Alan
Hawkins, Nick
Hawksley, Warren
Hayes, Jerry
Heald, Oliver
Heathcoat-Amory, David
Hendry, Charles
Hicks, Robert
Higgins, Rt Hon Sir Terence
Hill, James *(Southampton Test)*
Horam, John
Howarth, Alan *(Strat'rd-on-A)*
Howell, Rt Hon David *(G'dford)*

Howell, Sir Ralph *(N Norfolk)*
Hughes, Robert G *(Harrow W)*
Hunt, Rt Hon David *(Wirral W)*
Hunt, Sir John *(Ravensbourne)*
Hunter, Andrew
Hurd, Rt Hon Douglas
Jack, Michael
Jackson, Robert *(Wantage)*
Jenkin, Bernard
Jessel, Toby
Johnson Smith, Sir Geoffrey
Jones, Gwilym *(Cardiff N)*
Jones, Robert B *(W Hertfdshr)*
Kellett-Bowman, Dame Elaine
Key, Robert
King, Rt Hon Tom
Kirkhope, Timothy
Knapman, Roger
Knight, Mrs Angela *(Erewash)*
Knight, Rt. Hon. Greg *(Derby N)*
Knight, Dame Jill *(Bir'm E'st'n)*
Knox, Sir David
Kynoch, George *(Kincardine)*
Lait, Mrs Jacqui
Lamont, Rt Hon Norman
Lawrence, Sir Ivan
Legg, Barry
Leigh, Edward
Lennox-Boyd, Sir Mark
Lester, Jim *(Broxtowe)*
Lidington, David
Lightbown, Sir David
Lilley, Rt Hon Peter
Lloyd, Rt Hon Sir Peter *(Fareham)*
Lord, Michael
Luff, Peter
MacGregor, Rt Hon John
MacKay, Andrew
McLoughlin, Patrick
McNair-Wilson, Sir Patrick
Madel, Sir David
Maitland, Lady Olga
Malone, Gerald
Mans, Keith
Marland, Paul
Marlow, Tony
Marshall, Sir Michael *(Arundel)*
Martin, David *(Portsmouth S)*
Merchant, Piers
Mitchell, Andrew *(Gedling)*
Mitchell, Sir David *(NW Hants)*
Moate, Sir Roger
Monro, Rt Hon Sir Hector
Montgomery, Sir Fergus
Nelson, Anthony
Neubert, Sir Michael
Newton, Rt Hon Tony
Nicholls, Patrick
Nicholson, David *(Taunton)*
Nicholson, Emma *(Devon West)*
Onslow, Rt Hon Sir Cranley
Oppenheim, Phillip
Ottaway, Richard
Page, Richard
Paice, James
Patnick, Sir Irvine
Patten, Rt Hon John
Pawsey, James
Peacock, Mrs Elizabeth
Porter, Barry *(Wirral S)*
Porter, David *(Waveney)*
Powell, William *(Corby)*
Renton, Rt Hon Tim
Richards, Rod
Riddick, Graham
Robathan, Andrew
Robertson, Raymond *(Ab'd'n S)*
Robinson, Mark *(Somerton)*
Roe, Mrs Marion *(Broxbourne)*
Rowe, Andrew *(Mid Kent)*
Rumbold, Rt Hon Dame Angela
Sackville, Tom
Shaw, David *(Dover)*
Shaw, Sir Giles *(Pudsey)*
Shephard, Rt Hon Gillian
Shepherd, Colin *(Hereford)*
Shepherd, Richard *(Aldridge)*
Shersby, Sir Michael
Sims, Roger
Smith, Sir Dudley *(Warwick)*
Smith, Tim *(Beaconsfield)*
Spencer, Sir Derek
Spicer, Michael *(S Worcs)*
Spink, Dr Robert
Spring, Richard
Sproat, Iain
Squire, Robin *(Hornchurch)*
Stanley, Rt Hon Sir John
Stephen, Michael
Stern, Michael
Stewart, Allan
Streeter, Gary
Sumberg, David
Sweeney, Walter
Sykes, John
Tapsell, Sir Peter
Taylor, Ian *(Esher)*
Taylor, John M *(Solihull)*
Taylor, Sir Teddy *(Southend, E)*
Temple-Morris, Peter
Thomason, Roy
Thompson, Patrick *(Norwich N)*
Thornton, Sir Malcolm
Thurnham, Peter
Townend, John *(Bridlington)*
Townsend, Cyril D *(Bexl'yh'th)*
Tredinnick, David
Trend, Michael
Trotter, Neville
Twinn, Dr Ian
Vaughan, Sir Gerard
Waldegrave, Rt Hon William
Walden, George
Walker, Bill *(N Tayside)*
Waller, Gary
Wardle, Charles *(Bexhill)*
Waterson, Nigel
Watts, John
Wells, Bowen
Whitney, Ray
Whittingdale, John
Widdecombe, Ann
Wiggin, Sir Jerry
Willetts, David
Wilshire, David
Wolfson, Mark
Yeo, Tim
Young, Rt Hon Sir George

Tellers for the Noes:
Mr. Timothy Wood and
Dr. Liam Fox.

Question accordingly negatived.

Parliamentary Pensions

9.42 pm

The Lord President of the Council and Leader of the House of Commons (Mr. Tony Newton): I beg to move,

That this House endorses the proposals for changes in Members' pension scheme benefits to increase the death in service gratuity to three times the Member's annual salary, to allow Members to nominate individuals, institutions and trusts to receive the death in service gratuity and, when the Pensions Bill is enacted and relevant Regulations under it made, to establish a formal dispute resolution procedure as recommended in the SSRB Report on the Parliamentary Pensions Scheme laid on Thursday 30th March (Cm 2830).

Mr. Deputy Speaker (Sir Geoffrey Lofthouse): I should like to inform the House that I have selected the amendment in the name of Mr. Alfred Morris.

Mr. Newton: Along with all right hon. and hon. Members, I plainly have an interest to declare in the subject that we are debating.

The motion follows the publication on 30 March of the Government Actuary's latest report on the parliamentary contributory pension fund and the Senior Salaries Review Body report on its review of the parliamentary pension scheme, and the Government's response to that. The Government recommended acceptance of all but one of the SSRB's four recommendations, and I shall deal with the three that I have recommended and the one that I have not.

I should like briefly to remind the House of the background to the debate, and to do that I shall make two points. First, in 1991, the SSRB recommended that it should review the pension scheme regularly at the time of the Government Actuary's triennial valuation of the fund. This has been the first review under those arrangements, and on behalf of the House I should like to thank the members of the SSRB—particularly those who were on the special sub-committee that was set up to deal with the review—for their work.

Secondly, I should like to deal briefly with the procedure for changing the scheme. Changes to the pension scheme regulations are made under the negative resolution procedure in accordance with the Parliamentary and Other Pensions Act 1987. It has, however, always been the case that the House is first given an opportunity to discuss proposals for changing the scheme before the regulations are laid; that is the purpose of the debate tonight.

I should add that, under the 1987 Act, I have a duty to consult the trustees about the regulations. I have, of course, done so and I take this opportunity to thank the trustees and their chairman, the right hon. Member for Manchester, Wythenshawe (Mr. Morris), on behalf of both current and former Members of Parliament and their dependants, for their valuable work, which I know is much appreciated. I have also consulted the chairman of the parliamentary Labour party and the chairman of the 1922 Committee.

With those brief introductory comments, I come to the SSRB's recommendations and our proposals. Three of the recommendations present little or no difficulty. Two are, in effect, procedural. The first is that the scheme should allow Members to nominate more than one individual, as well as institutions and trusts, to receive the

death-in-service gratuity. That seems sensible, and we can readily accept it. It will provide Members with the proper scope to make nominations as they see fit. I need only add a few words about its potential effect on future nominations.

The way in which the current rule operates has the effect that the nomination is ignored if it is made in favour of a person who has been the husband or wife, but who, at the time of death, is no longer so. The gratuity is then paid to the personal representatives. The intention is to treat multiple nominations in the same way. If more than one individual is named and one of the nominees has to be disregarded, the proportion of the gratuity that would have been paid to that person will pass to the personal representative. Nothing in the proposed regulations disturbs the current position, which allows Members to change their nomination at any time.

The second of the procedural recommendations is that a formal dispute resolution procedure should be established for the scheme. Again, that is entirely sensible and acceptable. The only reason why I have not already produced a draft regulation in this respect is that—I think I can say that the trustees agree—it seems sensible to wait until we have the detailed provisions which will follow the present Pensions Bill so that we can be sure that the procedures that we put in place for our scheme are consistent with the rules for schemes generally. I will, of course, consult the trustees about the terms of any such regulation before it is laid, including on the question of to whom appeals should go at the third stage. I do not envisage a further debate as long as the trustees are content with the final proposals.

The third of the SSRB's proposals that I can recommend is concerned with the benefits of the scheme. The recommendation is to improve the death-in-service gratuity from two to three times annual salary. That change is fair and it can be justified given the particular circumstances of Members even though this aspect of the scheme now compares favourably with other public service schemes. I propose to bring that recommendation into effect from 1 April 1995.

The fourth proposal is clearly the most contentious, and is the subject of the amendment in the name of the right hon. Member for Wythenshawe and a number of others. The proposal is that the rate of accrual for Members' pensions, which is currently 60ths in respect of all service before 20 July 1983 and 50ths for all service thereafter, should, in respect of those of us who are still Members of Parliament, be retrospectively improved to 50ths for the years before 1983. The Government do not feel able to recommend this proposal to the House for a number of reasons, which I shall set out in a moment.

Before doing so, I should briefly make clear precisely who is and who is not affected by the proposal, as one or two comments that have been made to me in the Corridors suggest that there may have been some misunderstanding. As I have said, the proposal concerns only periods of service before 20 July 1983. It follows that no one first elected in 1987 or 1992, or at a by-election in those 12 years, is affected in any way at all. The number in the unaffected category is 362—more than half the House. Those elected in 1983 are affected only to a very small extent: the improved accrual rate would apply only to a short period of service between June and July. The number in that category is 104.

Thus, the total number of Members who are either unaffected, or affected to a degree that might be described as de minimis, is 466. The remainder would have an improvement in their pension rights, the size of which would depend on the extent of their service before 1983.

Mr. David Harris (St. Ives): Will my right hon. Friend give way?

Mr. Newton: May I first finish this point, because it concerns me? Having already declared a general interest, I should make it clear that the number of those whose pension would be improved beyond a de minimis amount includes me, as I was first elected in February 1974. In view of the arguments that I am about to adduce, I suppose that that could be described as a perverse interest.

Mr. Harris: I declare an interest in this matter. Would my right hon. Friend care to inform the House what would be the position of those hon. Members who were elected to the European Parliament in 1979 but entered this House in 1983? Would they be affected by the provisions?

Mr. Newton: Yes, I think that they would because the same pension scheme applies to Members of the European Parliament as well.

Sir Peter Fry (Wellingborough): May I declare my interest, in that I was here before 1983? I am fascinated as to why my right hon. Friend suggests that our widows should be helped—so they will benefit after we are dead through the death-in-service payment—but apparently resists any attempt to help us while we are still alive.

Mr. Newton: My hon. Friend puts his point in a characteristically good-natured way. I am afraid that the rather more solemn answer is that the proposed improvement in the form of the death-in-service gratuity is, in effect, from a current date and therefore has no retrospective element, whereas the proposal to improve the accrual rate for years in service now more than 10 years ago is an entirely retrospective proposal. That raises additional arguments, to which I shall come shortly.

Sir Andrew Bowden (Brighton, Kemptown): I declare an interest, in that I was elected to this House in 1970. I hope that, by emphasising to the House how many Members are not affected, my right hon. Friend is not using that as an argument to persuade hon. Members to vote against the amendment. That would be wrong, because only those affected should be allowed to vote.

Mr. Newton: My hon. Friend, too, puts his point in a characteristically good-natured way. I set out the facts and figures in the way that I did, not as an argument against the amendment but simply because it had become apparent, talking to a number of our more recently elected colleagues in the Corridors in the past week or so, that some of them were harbouring hopes that would be disappointed in respect of what they might get out of this debate. I meant no more than that.

In picking up what my hon. Friend the Member for Wellingborough (Sir P. Fry) said a few moments ago, I should first remind the House that this is not a new argument but one that took place some four years ago when the former Top Salaries Review Body—the forerunner of the current Senior Salaries Review Body—made a similar recommendation and when the House accepted the Government's view that it should be rejected.

[Mr. Newton]

In setting out the issue which the House as a whole must face and address as a matter of public policy, I can do no better than quote what my predecessor, my right hon. Friend the Member for Norfolk, South (Mr. MacGregor), said in the debate almost exactly four years ago on 18 July 1991:

"the TSRB did not point to other schemes, public or private, which have adopted that approach on accrual. If we adopted that retrospective change—which is what it would be—we should be under strong pressure to make similar changes to other public service schemes and the repercussions could be very expensive. I do not believe that it is possible to justify going back almost two full Parliaments"—

it would now be nearer three—

"to undo a decision made eight years ago, and never questioned in the interim. Moreover, it is a particularly unnecessary change as provision already exists for Members to purchase added years at the improved rate of accrual. Those who have chosen not to upgrade their pension have obviously felt that they had good reason for not doing so.

Of course, many of our colleagues did upgrade their pensions. I believe that the choice should continue to be left to the individual Member."—[*Official Report*, 18 July 1991; Vol. 195, c. 615.]

Those arguments weigh substantially and are compelling today, as they were then.

Mr. John Garrett (Norwich, South): They may be arguments, but they are all flimsy arguments. How many public service schemes changed from 50ths to 60ths at that time? When that speech was given, the Treasury contributed 4.5 per cent. and we contributed 9 per cent. to the fund. Surely, the point is that this is not a generous scheme by any manner of means compared with civil service and public service schemes because of, for example, the severance arrangements.

Mr. Newton: The hon. Gentleman has skated away from the point that was a significant ingredient in what my right hon. Friend said four years ago and in what was said in the House only a fortnight ago in discussions on possible improvements to the armed forces pension scheme in respect of pre-1973 cases. After that debate, the House voted against a retrospective change, which might be said to be comparable in some respects, by 199 votes to 41, I think it was, with the official Opposition Front-Bench team advising hon. Members not to vote for the amendment. That needs to be borne in mind. The key point is whether the scheme is retrospective, not whether there should be the improvements in the scheme that I am proposing now in respect of the death-in-service benefit. The issue is whether those changes should be made retrospectively.

Dame Elaine Kellett-Bowman (Lancaster): Is my right hon. Friend more or less saying to those of us who did make up our contributions to change them from 60ths to 50ths, that that was money down the drain?

Mr. Newton: I shall come to that point. Clearly, whatever else, that would not be acceptable to anyone.

As I have already said, especially in the light of the recent debates that the House has had on other matters, in the Government's view the arguments that my right hon. Friend the Member for Norfolk, South put forward in 1991 are no less compelling now than they were when the House accepted them. In one respect, they are even more compelling as, at that time, there was a surplus of £7 million in the fund, to which the Top Salaries Review Body referred in making its proposals, and which might at least have made it possible to make such a change without having to raise contributions to pay for it. That is not the position now, however. As a result of the numerous other improvements made in 1991, little more than £1 million remains as a surplus in the fund, and once the death-in-service proposal, which is part of my proposals, has been put into place, the surplus will be no more than £300,000.

Unless Members' contributions are to be raised so that all Members have their take-home pay reduced to improve the pensions of less than a third, there would have to be an increase in the Exchequer contribution—that is to say, from the taxpayer—to fund the improvement. It is estimated that accepting the accruals proposal as it stands would mean an increase in capital terms of £2.3 million or, looking at it in another way, of about £480,000 each year until the year 2000.

Sir Terence Higgins (Worthing): Is it not the case that the present state of the fund reflects the fact that, on previous occasions, the Treasury has taken every possible opportunity to reduce its contribution? On the comparison with the civil service scheme, will my right hon. Friend tell us whether that is a contributory scheme?

Mr. Newton: My right hon. Friend, with his long experience, knows as well as anyone in the House that the civil service scheme is not a contributory scheme. The argument is always, as he well knows, that that fact is taken into account in determining the salaries, but there is no getting away from the fact—nor do I seek to disguise it—that this is a contributory scheme and that the civil service scheme is not. Alongside this important general argument stand a number of practical considerations, which perhaps help to show why retrospective changes of the kind proposed are such a dubious course. I shall mention two in particular, one of which will bring me to the thought raised by my hon. Friend the Member for Lancaster (Dame E. Kellett-Bowman).

Mr. John Butterfill (Bournemouth, West): When my right hon. Friend talks about the comparison between the civil service scheme and the scheme for Members, can he advise the House whether, when the House voted to link its pay with that of an appropriate grade of civil servant, it voted to do so in terms of both the salary and the pension contribution, or were they entirely separate?

Mr. Newton: I do not think it was I who introduced any comparison of that kind, but my right hon. Friend the Member for Worthing (Sir T. Higgins). Leaving that aside, my understanding, and the reality, is that the House has voted on the linkage between the pay of Members of Parliament and pay at a particular level in the civil service, taking account of all the factors involved. As I have said, there is no mystery about the fact that the basis of—

It being Ten o'clock, consideration of the motion stood adjourned.

Motion made, and Question put forthwith, pursuant to Standing Order No. 61 (Committal of Bills),

That, at this day's sitting, the Lords Amendments to the Licensing (Sunday Hours) Bill, to the Child Support Bill and to the Criminal Appeal Bill may be proceeded with, though opposed, until any hour, and the Motion in the name of Mr. Tony Newton relating to

Parliamentary Pensions may be proceeded with, though opposed, until half-past Eleven o'clock or for one and a half hours after it has been entered upon, whichever is the later.—[*Mr. Knapman.*]

Question agreed to.

Question again proposed.

Mr. Newton: There is no mystery about the fact that the pension arrangements in the civil service are on a different basis from those for Members of Parliament.

I hope that the House will realise that certain practical difficulties need to be addressed. First, as I have already indicated by quoting from the previous debate, since 1983 Members have had the right, and I judge from what she said that my hon. Friend the Member for Lancaster has probably used it, to purchase added years of service. If they did so during the first two years after 1983, they were able to do so at a discounted rate. Many did so. Those who did not, of whom I am one, will obviously benefit from the proposal in the amendment, but the question then arises—exactly the question raised by my hon. Friend the Member for Lancaster—of how in fairness to treat those who did purchase added years.

One possibility, presumably, would be to refund what those Members paid in respect of what would now be provided by the Exchequer. The other, which is what the SSRB report and the amendment of the right hon. Member for Wythenshawe appear to envisage, is that they should be treated as having their years of service augmented so that they continue to benefit from the extra that they have chosen to pay, as well as the extra that the amendment would provide. However, that would produce the situation in which some Members would have an entitlement exceeding the maximum allowed by Inland Revenue rules. So once again, we would have to face—[HON. MEMBERS: "How many Members?"] It is important that the House should understand those complications. We would have to face the issue of refunds, whether interest should be paid, and if so, at what rate and so on. There could be yet further complications arising from the interaction between the basic scheme—

Mr. Garrett: Will the right hon. Gentleman give way?

Mr. Newton: Yes, of course I will give way. I have shown that I am willing to give way, but I should like to complete a sentence before I do so. Still further complications could arise from the interaction between the basic scheme and the scheme for additional voluntary contributions introduced last year.

Mr. Garrett: Is it not the case that to exceed the Inland Revenue threshold, a Member of Parliament would have had to have spent 40 years here? Therefore, the number affected is few. The right hon. Gentleman continually refers to those hundreds of Members of Parliament who will not benefit from such a proposed scheme, but they will not benefit because they are on 50ths already.

Mr. Newton: That latter point has been acknowledged in everything that I have said. They will not benefit because the improvement in 1983 meant that, since 1983, all of us, whether new Members or old, have been accruing at a rate of 50ths. That does not get away from the argument that I have been putting to the House about whether it is right to backdate that accrual before 1983. In the first part of the hon. Gentleman's intervention, he, in effect, confirmed what I said. In some cases, that possible tangle would arise. I do not say that it is insuperable, but it is one of the things that the House must register.

Sir Peter Tapsell (East Lindsey): I do not think that that is a serious point. As it happens, I am advised by the Fees Office that I qualified for the maximum two-thirds pension some time ago, but I have elected to go on contributing to the pension fund of Members of Parliament. I am told that I could go on until I am entitled to a 75 per cent. or 80 per cent. pension if my electors go on re-electing me. I am assured that there is no problem about that, so why not just enhance the thing?

Mr. Newton: I have said that, in my view at least, there could be a problem of, as it were, running into the ceiling. I know that a number of Members have said, "Well, that could be dealt with in one way or another." Indeed, I am not saying that those problems are insuperable, but they are a factor of which the House should be aware.

The second, and in my view much more serious practical problem, is the inequity which would arise between Members and ex-Members in respect of service in the House in the same period. As I have said, the SSRB's proposal and the amendment of the right hon. Member for Wythenshawe relate only to those of us who are still Members of the House. In other words, a pension in respect of—to take my own case, 1974 to 1983—would be increased for someone like myself who happens to be still here, but unaltered for those who were here in precisely the same years and who happen to have left for whatever reason in the intervening period. I frankly think that it would be very hard indeed to defend that as being in any way fair.

The complexities of seeking to include ex-Members, let alone their survivors or legatees, are all too obvious and they may well prove insuperable. Moreover, the costs would certainly be significantly greater. On a rough estimate, against the £2.3 million in capital terms for the right hon. Gentleman's amendment to which I have referred, we would be talking about something like an extra £7 million, which the taxpayer would have to find. I said earlier that I believe the arguments against the amendment to be compelling. I hope that I have shown why I hold that view and I hope that the House will reject the amendment and agree on my motion as proposed.

10.5 pm

Mr. Alfred Morris (Manchester, Wythenshawe): I beg to move amendment (a), in line 4, after 'gratuity', insert

'to apply the existing accrual rate of fiftieths to all service for currently sitting Members in respect of their future pension entitlement, with appropriate augmentation for those who have been making up the shortfall voluntarily'.

The amendment stands in my name, as chairman of the managing trustees of the parliamentary contributory pension fund, and those of all my fellow trustees. It was trailed by early-day motion 1223, which has 354 signatories and the support of many other right hon. and hon. Members who, as office holders of one kind or another, are unable to sign early-day motions. It reflects deep and growing concern in all parts of the House about an official attitude to the pension fund that is seen not only as unjust, but as damaging now to the whole basis on which changes to the pension fund are processed by the Senior Salaries Review Body. More and more hon. Members are questioning the point of having an

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independent review body whose major recommendations in two successive reports in the space of four years can be set aside, as will have happened in this case if the managing trustees' amendment is not approved tonight.

In 1991, in Cmnd 1576, the review body first recommended an accrual rate of 50ths in the following terms:

"We recommend that the existing accrual rate of fiftieths should be applied to all service for currently sitting MPs in respect of their future pension entitlement, with appropriate augmentation for those who have been making up the shortfall voluntarily."

That recommendation was anything but extreme. In fact the House had resolved 11 years earlier in July 1980 that the accrual rate should be one 40th of final salary for each year of service. Nevertheless, the review body's 1991 recommendation was not accepted by the Government and, when it was again asked to report on the fund in the current parliamentary Session, its report—Cmnd 2330—reaffirmed the 1991 recommendation in virtually identical terms.

But it was made clear immediately that the Government would again resist the recommendation. One reason given was that a part of the total cost—now reduced to £2.3 million from £3 million in 1991—would fall on the Exchequer. As the Leader of the House knows, that was not well received by hon. Members who recall what happened to the fund in 1983. I hasten to add that the right hon. Gentleman was in no way personally involved in the decision then, in effect, to raid the pension fund to offset part of the cost of an award from the review body on parliamentary pay by gratuitously increasing the Member's contribution to the fund to a wholly unnecessary 9 per cent. of salary. There was no talk then of the consequential effects of that huge increase on others in the public service. It would have been too ridiculous for words; and indeed, as we have heard tonight, the civil service has a non-contributory pension scheme while judges, I believe, have an accrual rate of 15ths.

The decision to impose a contribution of 9 per cent. on Members of Parliament—of which some have claimed authorship for Edward du Cann—was totally unrelated to the financial needs of the pension fund at the time, but of direct and substantial benefit to the Exchequer. It was a clear case of manipulating a pension fund at the Member's expense, a technique later refined and perfected by others and which is now being legislated against.

That is but one reason why it is not for Ministers to complain ever again of members of the fund unfairly benefiting at the expense of the Exchequer. As I have shown in previous debates on the fund, the Exchequer contribution was seriously and most unfairly out of line with what the Member had to pay over an extended period after 1983. Again, the Exchequer was for many years the main beneficiary of the managing trustees' investment policy. For far too long we were, in fact, victims of our own success in that the more that policy succeeded, the more disproportionately it helped the Exchequer.

The trustees' latest proposals to the review body were not confined to the accrual rate. We sought a range of improvements to benefit past and present Members alike and their dependants. The trustees are not alone in believing that more could and should be done to help retired Members, to assist the widows of our former colleagues and to improve the fund's provision for early retirement. Among our other proposals to the SSRB, the trustees also asked for an improvement in the death-in-service benefit.

Mr. Tony Marlow (Northampton, North): My right hon. Friend the Leader of the House made a good point from the Front Bench. How can we justify retrospection for our pension scheme and not justify it for the armed services pension schemes?

Mr. Morris: There are many of us who feel that retrospection is well merited in that scheme as well, but I have a particular responsibility, as chairman of the managing trustees of the parliamentary contributory pension fund, to do my best in that capacity, which is what I am seeking to do in this debate.

As the Leader of the House has explained, the review body concluded that only four changes should be made to the fund, of which the Government, as they oppose the now reaffirmed recommendation on the accrual rate, accept only three. Of those, the improvement to the death-in-service benefit is, of course, welcomed by the trustees and we are glad that it is to be given retrospective effect, which means that the widow of our late and much-missed colleague Geoffrey Dickens will not lose from the lapse of several months since the review body reported in March. The trustees also welcome the other two recommendations, but these are matters of procedure and not benefit improvements.

As the law stands, only when proposals for change to the fund are recommended by the review body can this House amend the provisions of the fund. We cannot do so on our own initiative. Essentially our role is thus to propose and it is for the review body to dispose. It is for that reason that I must emphasise again that it is the independent review body's judgment, twice stated, first in 1991 and again in 1995, that improvement in the accrual rate is, and has been for four years now, a priority for change.

As soon as I knew of the Government's intention to oppose the change, and for the avoidance of any doubt, I inquired whether the review body might be prepared, in the event that its principal recommendation was again rejected, to substitute for an improved accrual rate some other change, or changes of equal value from the range of improvements sought by the trustees—a better deal, for example, for widows and/or for retired members of the fund—but the answer was that what is on offer is what is in the review body's report and nothing else. So anyone who thinks that to reject the recommendation on the accrual rate might help others must understand that that is not the case.

Mr. Tom Cox (Tooting): My right hon. Friend is no doubt aware that I am one of the trustees of the parliamentary Labour party benevolent fund. All hon. Members can recall many colleagues from various political parties who left this place in very poor circumstances and who have never received a proper pension. The same is true of the wives of colleagues who have passed on. We might not be able to do anything for them, but my right hon. Friend is seeking in his amendment to ensure that ex-Members of Parliament and the wives of those colleagues who may pass on will begin to receive a reasonable pension to support them in their old age. Sadly, many former colleagues and their wives do not receive such a pension at present.

Mr. Morris: I am grateful to my hon. Friend. I very much admire his work and that of his colleagues in the parliamentary Labour party's benevolent fund, just as I hold in very high regard those in the 1922 Committee who perform similar work for their former colleagues who now live in circumstances of hardship.

There is one other matter on which I must briefly report to the House. The trustees have an important role in considering changes to the fund's provisions and we have taken legal advice in relation to our duties and responsibilities. The advice is unequivocally clear. It is that it is proper for the trustees, in considering what is best for Members, to regard recommendations of the review body as a proper guide for their decisions. We are advised also that it is not proper for the trustees to have regard to the fact that the Government's policy is not to implement particular recommendations of the review body. The advice proceeds:

"The Trustees would accordingly be right to use what Parliamentary means they have to cause amending regulations to be made by the Leader of the House to implement the Review Body's recommendation in question".

We are further enjoined—on the basis of expert, impartial and independent advice—to accept that:

"The Review Body bases its recommendations on what is good current practice in pension schemes and what, in particular, would be fair to Members (of any class under consideration), balancing the burden of contributions against the benefit of higher pensions".

Interestingly as well, our advice states:

"It is the Leader of the House, and not a person as Minister of the Crown, who makes the amending regulations. Hence is preserved, in law and principle, the independence of these crucial decisions from Government policy, as distinct from the collective view of the House".

Mr. David Shaw (Dover): I was hoping that the right hon. Gentleman might explain at some point why the trustees are not recommending an accrual rate that is more akin to the average service of a Member of Parliament. My predecessor served the House and the Government loyally for 17 years, and I understand that that is much closer to the average service of most Members of Parliament—although there are different views. Why do we still have an accrual rate of 50ths and 60ths, when the average length of service of a Member of Parliament is much less?

Mr. Morris: There are a great many points that I could make in my speech, but it must be limited out of consideration for hon. Members on both sides of the House who want a decision on the amendment as quickly as possible tonight. As the hon. Member implies, the longevity of Members of Parliament is not great. On average, they serve something like 13 years and three months. I cannot recall the precise figure, but it is of that order. As I have said, judges base their pensions on an accrual rate of 15ths. Of course, no hon. Member is likely to serve 60 years here, and it is a virtual certainty that very few—perhaps not even the right hon. Member for Old Bexley and Sidcup (Sir E. Heath)—will achieve 50 years. That is why Members on both sides of the House say that we should have been asking the SSRB for 40ths and not 50ths. Yet even the figure of 40ths is unrealistic and if one looks at what other legislatures do across the world, one finds that we are anything but profligate in this Parliament when it comes to the protecting of Members' interests.

What I have quoted from legal advice received by the trustees ought not to be unimportant to the outcome of the debate. I trust that that outcome will be the approval of the amendment and a consequential change to the draft amending regulations. In commending the amendment to the House, I want especially, and very warmly, to thank the right hon. Member for Horsham (Sir P. Hordern) and the hon. Member for Dorset, West (Sir J. Spicer), together with my hon. Friends the Members for Jarrow (Mr. Dixon) and for Ogmore (Mr. Powell) for their constant and extremely valuable help in promoting a long-overdue change to the fund. The House as a whole is much in their debt.

10.21 pm

Mrs. Ann Taylor (Dewsbury): I wish to speak briefly, because most hon. Members will probably have made up their minds on the issue. Like all colleagues, I must declare an interest. Many of the recommendations that are being discussed this evening apply to all of us, but the amendment applies in particular to those hon. Members who were here prior to the changes in 1983.

I want to say a few words in support of the amendment tabled by my right hon. Friend the Member for Manchester, Wythenshawe (Mr. Morris) on behalf of the trustees, and it is important to emphasise the all-party nature of the amendment and the support for it within the House. The issue before us this evening has been outlined extremely clearly, but it is important to emphasise that the key point of the debate is that it is not just hon. Members who are concerned about parliamentary pensions and the 50ths and 60ths issue before 1983. The real strength of my right hon. Friend's argument is the case that has been put and the recommendations made by the Senior Salaries Review Body, which has recommended changes that are the subject of my right hon. Friend's amendment.

Mr. Marlow: What reason did the SSRB give for recommending the change?

Mrs. Taylor: If the hon. Gentleman cares to read the report, he will see that it is clear. I want to take the hon. Gentleman and other hon. Members back one stage. In 1991, the SSRB report first recommended this particular upgrading. It did so—this may answer the specific question asked by the hon. Gentleman—on the basis that such an upgrading would be fair to those who had contributed to the surplus that was then in the pension fund. That is a very important principle, and the hon. Gentleman should bear it in mind. The recommendations were not acted on in 1991. Had they been acted on, the degree of retrospection of which the Leader of the House complains would not have been as significant as it is. The retrospective element is so significant only because the 1991 recommendations were turned down on the advice of the then Leader of the House and the Government.

Mr. Butterfill: On the question of the surplus, is not it true to say that the latest revaluation produced a surplus which enabled the Government to reduce the standard contribution from 17.5 per cent. to 6.8 per cent?

Mrs. Taylor: The hon. Gentleman is quite right. Had that Exchequer windfall—if we can call it that—not occurred, there would have been a very significant surplus in the pension fund. That is what the Senior Salaries Review Body was referring to when it made its initial

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recommendation. It is a very strong point in favour of the amendment tabled by my right hon. Friend the Member for Wythenshawe. It is also probably one of the reasons why the SSRB returned to the issue this year and why we are debating this recommendation now. Indeed, the amendment covers the precise wording used by the SSRB in its report, and it is one of the reasons why I recommend it to the House.

Pension matters are incredibly complex. The Leader of the House gave us some figures to show how many people would not benefit from the proposed change. It is true that there are many anomalies in many pension schemes, including our own. Indeed, when I talked today to the Fees Office about the changes in contribution rates over the years, it became clear just how complex an issue it is.

The point that we should emphasise and which underlines our support for the amendment is that although hon. Members are in the unfortunate position of having to vote on such issues, we are not in a position to make the basic recommendations. Those recommendations come from the SSRB—we have not dreamt them up, nor have my right hon. Friend and his fellow trustees. The pension fund trustees suggested the amendment following the detailed recommendations from experts on the independent review body.

Mr. Ray Powell (Ogmore): Before my hon. Friend concludes, I hope that for the benefit of those outside who might be listening she will emphasise the fact that all 651 Members of Parliament contribute 9 per cent. of their salary. In addition, most people in the civil service pay for a non-contributory pension scheme.

Mrs. Taylor: My hon. Friend is right to say that we have at times contributed 9 per cent. of our salary. The comparisons that have been made with other schemes are difficult because different people have contributed on a different basis, and the benefits that we obtain in other ways are different from those in other spheres of employment.

Mr. Newton: I do not intervene in an aggressive spirit but, in view of the exchange that has just taken place, I want to make it clear that our contribution was 9 per cent. but was reduced to 6 per cent. following the 1991 recommendations. At present, the Members' contribution is 6 per cent.

Mrs. Taylor: If the Leader of the House checks the report of the proceedings tomorrow, he will find that I said that at times we had contributed 9 per cent. I remind him of the remarks made by his hon. Friend the Member for Bournemouth, West (Mr. Butterfill), who pointed out that the Exchequer contribution had been significantly reduced. That is the basic reason why the surplus in the pension fund has been reduced so considerably over the years.

We could raise many issues related to this topic. The hon. Member for Dover (Mr. Shaw) talked about reducing the contributions to 40ths. I am sure that other hon. Members—perhaps many Conservative Members—would like at some time to raise the issue of severance pay and severance arrangements, which are very far from generous for Members of Parliament although they are generous in other areas. However, we cannot stray on to those issues this evening.

Our basic case is that the independent review body has clearly recommended that change twice. It has thought it right to return to that issue in 1995, in spite of the 1991 decision.

Sir Gerard Vaughan (Reading, East): The hon. Lady rightly drew attention to the fact that the SSRB has twice considered that and reached that conclusion. The legal advice that we have been given as trustees—and I wish to pay tribute to the right hon. Member for Manchester, Wythenshawe (Mr. Morris) as chairman of the trustees—is that we would be failing in our duty if we did not bring that matter before the House now, and we are unanimous, as trustees, that the House should consider that and, I hope, vote for the amendment.

Mrs. Taylor: I am happy to agree with the hon. Gentleman. That is why I am happy to accept all the recommendations of the SSRB, including the recommendation that is the subject of the amendment moved by my right hon. Friend the Member for Wythenshawe.

On behalf of many hon. Members, I congratulate my right hon. Friend and the trustees on the work that they have done. I thank them for giving us the opportunity to vote for the amendment this evening, and I commend it to the House.

Madam Deputy Speaker (Dame Janet Fookes): Before any debate continues, may I point out that there is an inaccuracy in the tabling of the amendment? It should read "Line 4" rather than "Line 2". I think the sense is clear, but I say that for the sake of accuracy.

Mr. Alfred Morris: Madam Deputy Speaker, I did preface my speech by reading the amendment and emphasising that it was the amendment at line 4. Thank you very much.

Madam Deputy Speaker: Right.

Amendment agreed to.

Mr. Newton: On a point of order, Madam Deputy Speaker. In the light of the decision that has just been made, I shall certainly not seek a Division against the motion as amended. Obviously, under those circumstances, it would not be appropriate to proceed with laying the draft regulations, which were drawn up on the basis of what I had proposed to the House. Obviously, there are some complications that need to be tackled, as I sought to make clear in my speech, and the appropriate course now is for me to undertake further consideration and consultation and return to the trustees and the House as soon as possible.

Main Question, as amended, agreed to.

Resolved,

That this House endorses the proposals for changes in Members' pension scheme benefits to increase the death in service gratuity to three times the Member's annual salary, to allow Members to nominate individuals, institutions and trusts to receive the death in service gratuity, to apply the existing accrual rate of fiftieths to all service for currently sitting Members in respect of their future pension entitlement, with appropriate augmentation for those who have been making up the shortfall voluntarily, and, when the Pensions Bill is enacted and relevant Regulations under it made, to establish a formal dispute resolution procedure as recommended in the SSRB Report on the Parliamentary Pensions Scheme laid on Thursday 30th March (Cm 2830).

COMMITTEE OF PRIVILEGES

Ordered,

That Standing Order No. 121 (Committee of Privileges) be amended, in line 5, at the end, by inserting the words 'and to sit notwithstanding any adjournment of the House'.—*[Mr. Knapman.]*

BUSINESS OF THE HOUSE

Ordered,

That, at the sitting on Wednesday 19th July:

(1) the Speaker shall put the Questions necessary to dispose of proceedings on the Motions in the name of Mr. Tony Newton relating to Standards in Public Life not later than three hours after the first such Motion has been entered upon, such Questions including the Questions on any Amendments to those Motions which she may have selected and which may then be moved;

(2) notwithstanding the provisions of Standing Order No. 9 (Sittings of the House), the Motion for the adjournment of the House in the name of the Prime Minister shall lapse three hours after it has been entered upon;

(3) any Lords Message which may be received may be proceeded with, though opposed, until any hour; and

(4) the Speaker shall not adjourn the House until she shall have reported the Royal Assent to any Acts agreed upon by both Houses.—*[Mr. Knapman.]*

MEMBERS' INTERESTS

Ordered,

That Mr. Andrew Mitchell be discharged from the Select Committee on Members' Interests and Sir Archibald Hamilton be added to the Committee.—*[Mr. Knapman.]*

Madam Deputy Speaker: Motions 15, 16 and 17 can be taken together, if there is a member of the appropriate Committee to do so. I think not. In that case, we go on to the Adjournment.

Recreational Vehicles (Green Lanes)

Motion made, and Question proposed, That this House do now adjourn.—*[Mr. Knapman.]*

10.33 pm

Mr. Andrew Hunter (Basingstoke): I rise breathless, having been caught unawares by the sudden end of business. Between my gulps of air, I welcome the opportunity provided by the debate to return to a subject that I have raised with successive Ministers during the course of several years. I do so without apology because the subject is important in its own right and of increasing concern to many people. I refer to the appalling damage inflicted each year on hundreds of miles of the unmetalled green lanes of our countryside. The problem is nationwide. Environmental damage to and the fate of the Ridgeway, Old street in Berkshire, Denton track in Cambridgeshire, Pilgrim's way in Kent and, to a lesser extent, the Harrow way and Weston Patrick track in my constituency, have attracted national attention. Those are only a few of many instances.

Many green lanes are old drove roads or drift ways, along which sheep and cattle were driven to market long before the invention of motorised vehicles. Great stretches of those ancient green lanes are reduced to muddy quagmires in wet weather and rendered almost impassable by ruts—sometimes up to 2 ft deep even in dry weather.

As for the culprits, the private landlord is by no means entirely innocent, but the main culprits are four-wheel drive, off-road vehicles and trail bikes. The increase in annual sales of 4x4s has been phenomenal. In 1984, only 8,000 were sold. Last year, sales are estimated to have exceeded 60,000. The problem seems destined to increase as the years pass, unless firm action is taken soon.

I acknowledge the responsible attitude of the Land Access and Recreation Association—LARA. Not all 4x4 owners and certainly not all 4x4 clubs are irresponsible, but too many off-roaders are ruining our ancient green lanes. Most damage is done by unclubbable rogues. They must be stopped. To compound matters, under existing legislation they are entirely within their rights to pursue their pastime on all designated byways unless the highway authority has imposed a traffic regulation order. Existing legislation allows off-roaders to commit the environmental equivalent of rape and pillage.

The underlying cause is to be found in the Wildlife and Countryside Act 1981. To be fair, that legislation was framed before off-roading became so popular and it was not designed to deal with today's problem. Nevertheless, the 1981 Act compels county councils to reclassify all rights of way as footpaths, bridleways or byways open to all traffic. It eliminated the former category of ruts—roads used as public paths. Nationwide, many thousands of miles of tracks still have to be reclassified. At the present rate of progress, that will take decades. Hampshire, for example, has approximately 2,250 miles of rights of way. So far, only 550 miles have been reclassified.

As my hon. Friend the Minister knows, if historic vehicular use can be established, the right of way must be declared open to all traffic—even if vehicular use has not been continuous and predated the combustion engine. One green lane in Hampshire has been declared open to all traffic at the end of the 20th century only because horse-drawn Army vehicles used it during the Napoleonic

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wars. Moreover, until 1981, under the Countryside Act 1968, councils could impose a test of suitability that gave them powers to impose restrictions on vehicles wishing to use byways. Tragically, that power has been taken from them.

The 1968 Act required amendment. It favoured people who wished to extinguish public rights, not those who sought to control vehicles. It was felt that the test of suitability was a threat to ancient rights of way, but that was before the advent of the off-roaders. Paradoxically and contradictiously, the Wildlife and Countryside Act 1981 reclassification process contains no provisions for protecting species that other parts of the Act seek to safeguard.

The Government's reply to criticism has not yet been as positive as many of us would like. The Government suggest that counties can and should use traffic regulation orders to limit access. But at £4,000 a go, and taking Hampshire as an example, that would mean that limiting access across the county could cost the county council £300,000.

Nor did a traffic regulation order save the Ridgeway in 1992. Objections to the traffic regulation order led to a public inquiry. At that inquiry the inspector dismissed the county's application.

The Government have said that road closures can be enforced by the highway authority under section 116 of the Highways Act 1980, either entirely or subject to the reservation of a footpath or bridleway along the route. The Government have said also that individuals or organisations can ask the highway authority to apply to magistrates for closure. But under section 117 of the Act, the cost of initiating the process has to be borne by the highway authority. All costs go to the individuals or organisations that goad the highway authority into action. That is a mightily effective deterrent.

Meanwhile the Department of the Environment word processors churn out a standard paragraph in reply to letters of concern. It states:

"We have considered very carefully whether to propose changes in the law. However, there appears to be no consensus in favour of fundamental changes to the legislation. We have therefore decided against any such action at present."

I hope that the debate will help to bring about a change in the Department's thinking.

As for the remedy, there are many suggestions. Not all of them are mutually exclusive and I recommend them to my hon. Friend. Some people suggest that a legal distinction should be drawn between motorised and unmotorised vehicles, a distinction that already exists in our driving licence regime, and that discretionary suitability test powers should be returned to the counties. Others argue for a legal distinction not between motorised and unmotorised vehicles but between rights of way the surface of which can withstand use by motorised vehicles at all times and others which may need protection for some or all of the year.

The recently formed pressure group, the Green Lanes Environmental Action Movement—it is known as GLEAM—argues that motorised vehicles other than those requiring access to land or property should be banned from vulnerable byways unless allowed by a traffic enablement order, effectively the reverse of a traffic regulation order. It is further suggested that some traffic enablement orders could be seasonal—for example, banning off-roaders between October and May when the ground is soft and easily damaged.

Yet another suggestion is that in the reclassification process only evidence of continuous use by motorised vehicles for at least 20 of the past 40 years should be considered relevant.

The problem can surely only intensify as time passes. There are ideas for a solution and the need for action is irrefutable. I hope that my hon. Friend will consider the issue seriously. The preservation of our ancient green lanes demands that positive action is taken with the minimum further delay.

10.43 pm

The Parliamentary Under-Secretary of State for the Environment (Mr. James Clappison): I congratulate my hon. Friend the Member for Basingstoke (Mr. Hunter) on securing time for a debate on a subject in which he has great interest. He may know that the Select Committee on the Environment has recently chosen to examine the environmental impact of leisure activities on the countryside. The Government are well aware of the level and nature of current concern about recreational vehicles, as witnessed by debates on the Environment Bill. I shall make some general points in the hope of overcoming some general misconceptions, as well as taking on board my hon. Friend's particular concerns.

Mr. Geoffrey Clifton-Brown (Cirencester and Tewkesbury): My hon. Friend referred to the report on tourism and leisure produced by the Environment Select Committee, of which I have the privilege to be a member. He will be aware of the considerable amount of evidence that we have received on the subject, which states that the present law is not working. I do not wish him to prejudge the report, but will he give it careful consideration, and reflect on whether the present mechanism can be amended in any way?

Mr. Clappison: The Government will give careful consideration to that report before making their response in due course. I intend to persuade my hon. Friend the Member for Basingstoke, that there are already appropriate means of addressing the matters that he has brought to my attention.

"Green lane" is a term of art rather than law. It is seen as covering all unsurfaced tracks in the countryside, although not all of those will be legally open to vehicles. Some will carry public rights only on foot, or on horseback, and others may be only private tracks. Some will already be recorded on definitive maps of rights of way; others may form part of the network of unclassified county roads in rural areas. Yet more may simply be shown as "white roads" on ordnance survey maps.

I am aware of concern, through correspondence and through the media, about damage to green lanes. My Department was involved in an important conference on the issue, organised by Hampshire county council as long ago as 1989. There was significant interest in that conference, but local authority members attending it confirmed that actual problems were isolated, although they could be severe where they occurred.

Subsequent surveys of highway authorities and users have looked further at the evidence. One of the most recent was carried out by Berkshire county council. I

believe that I am right in saying that it supported a view that has been presented to the Department of the Environment consistently over recent years: that most authorities are experiencing few problems of damage caused by recreational vehicles, and then only on particular routes. All the evidence suggests that incidents of damage are isolated and sporadic—although I acknowledge that where they do occur they can be serious, and expensive to repair. Furthermore, where damage occurred, recreational vehicles may not always be to blame; there is also evidence of damage by agricultural and other users.

Let me say a little about the procedures—about which we have heard tonight—for recording public rights of way on definitive maps. Definitive maps record public footpaths, which people can use on foot, and public bridleways, which people can use on foot and on horseback—and on bicycles. They also record byways open to all traffic, or BOATs, to which my hon. Friend has already referred. They are ways that the public have a right to use in vehicles, but which are mainly used by walkers and riders. They are most often unsurfaced tracks in the countryside, and many have historic origins—although they may originally have been surfaced for the vehicular traffic of the time, or may simply have lacked repair in recent years.

The duty to record BOATs arises principally from the decision made when definitive maps were introduced, in the National Parks and Access to the Countryside Act 1949, to include as roads used as public paths—the RUPPs also familiar to those versed in the subject—those ways which, while carrying public vehicular rights, were principally used as footpaths and bridleways, and hence should be brought to public attention. The term was misunderstood, however, largely because the Act and the accompanying instructions were perhaps not sufficiently clear about the ways that it was intended to record.

The Countryside Act 1968 therefore introduced provisions to address the problem; but, again, they were applied inconsistently and problems occurred. We reviewed the legislation radically in 1981 and, in the Wildlife and Countryside Act 1981, introduced what I believe are now clear provisions. Those provisions require councils to review and reclassify all RUPPs to resolve legal uncertainty about the rights that the public have over them. We deliberately separated the ascertainment of rights—that is the term used in the Act—from a council's separate role of managing the use of such ways.

Even so, I recognise that the process of clarifying that legal uncertainty has not been easy. It involves careful evaluation of documentary evidence that is often conflicting. I believe, however, that the procedures that we have helped to develop for the consideration of objections deal with these complex matters in the fairest possible way. We have sought to make it clear that the purpose is to clarify rights that already exist, and that this is the issue that objections should address. The inspectors appointed by the planning inspectorate to decide opposed orders receive careful training. They are required to reach an impartial decision on each order, based on the evidence and representations. They are aware that the quality of documentary evidence will differ from case to case, and must be seen in the appropriate local context.

It has been argued that we should not now open up to modern vehicles ways that were dedicated for the use of carts and carriages. But it is a clear principle that the law does not distinguish between the means of propulsion. The modern network of roads has evolved in part from the network that was laid down in previous centuries. Simply because rights have not been exercised does not mean that the public have lost those rights.

We also realise that recognising rights comprises only part of the responsibilities of the local highway authority. It is responsible for maintaining the way, and it also has a clear role in managing use and resolving conflict. These are becoming particularly important roles as the pressures for countryside access increase and diversify.

We know that many of the ways reclassified as byways that are open to all traffic have seen little use by modern vehicles—nor are they likely to. Some may sustain a level of occasional use, others require better maintenance for the normal traffic of the parish. A number of applications to show routes as BOATs come from parish councils. We are satisfied that highway authorities have the tools at their disposal to carry out their responsibilities and deal with any problems that might arise. In particular, we have consistently emphasised the availability of traffic regulation order powers to highway authorities to regulate and control vehicular use on rights of way. They are sufficiently flexible to impose restrictions at the time most damage is likely to occur, or to separate users at various times during the week, where the issue is one of conflict. They can regulate all vehicles, or can distinguish between them. They do not inhibit essential access.

The first principle of effective management is to seek the co-operation of all those involved—and in this case, it will involve those organisations representing recreational vehicle users as well as landowners, local people and other users. While regulation is the backstop, negotiation can often provide a solution that all can accept. Organisations such as the motoring organisations' Land Access and Recreation Association have shown themselves prepared to accept voluntary restraints on use, and to persuade others to do so, and to publicise codes of conduct that take account of the needs of others and of the environment.

It would be wrong to paint too rosy a picture. There are problems. There are perceived difficulties among local authorities, for example, in seeking to impose traffic regulation in the countryside. Orders are seen as contentious and difficult to process and enforce. The Department of Transport has been looking at the procedures to see if they can be made simpler, and will be consulting shortly on revisions to the regulations. But we also need to ensure that authorities are made more aware that the powers can be used not just to regulate traffic in towns, but to improve amenity in the countryside.

My hon. Friend the Member for Basingstoke mentioned environmental damage to the Ridgeway. I understand that in that case the Secretary of State for Transport decided not to make the traffic regulation order for very specific reasons. The problems on the Ridgeway are not solely related to recreational vehicles. The Secretary of State placed great emphasis on alternative voluntary means of reducing conflict. The Countryside Commission has taken account of a wide range of views in formulating a management plan, which will also be of use to other authorities in resolving conflict on byways in similar circumstances.

[Mr. Clappison]

Ministers in the Department of the Environment have been aware for some time of the growing wealth of experience among highway authorities in dealing with conflicts on rights of way. A number are developing sensitive techniques in maintaining unsurfaced tracks in a good condition for all users. Others have developed constructive dialogues with user groups, or have successfully used traffic regulation orders in particular circumstances.

We have therefore asked officials to undertake the preparation of a best practice guide to managing the use of rights of way by vehicles. This will draw on the experiences of local authorities, users and landowners, and publicise practical solutions for resolving difficulties. It will also include an assessment of the process of reclassification so that we can help ensure that the procedures work more smoothly. I believe that that will be an important step forward.

I am, nevertheless, aware of a groundswell of opinion that the legislation is inadequate, that we need to accommodate a test of suitability for every road used as a public path and that we need to provide a new class of highway from which mechanised vehicles are excluded or to impose an automatic weight limit on vehicles using BOATs. Some of the proposals are superficially attractive, but I do not believe that they are at present appropriate or necessary. I have described some of the powers and techniques already available at the local level—powers and techniques that have been used in Hampshire. I do not believe, on the evidence available, that it is possible to justify fundamental changes to the legislation. Nor do I believe, on the evidence, that authorities would welcome such fundamental changes. They are generally working constructively towards the millennium target of getting the whole of the rights of way network in good order by the year 2000 and this includes the vital task of bringing definitive maps up to date.

I shall be quite clear, however. I do not believe that authorities should tolerate the attitude of users whose enjoyment on public rights of way comes from making as much noise and mess as they can. Ancient highways are there to be enjoyed and they can be enjoyed by a wide range of users. They do not exist simply to be destroyed by thoughtlessness and intemperate use should not affect others' enjoyment. The place for that kind of excitement is not the public highway, but the purpose-built course.

Although I am not at present persuaded that further legislation is justified, I hope that I have assured my hon. Friend that we are working hard to improve procedures and to provide a measure of clarity in a complex and difficult area.

Question put and agreed to.

Adjourned accordingly at five minutes to Eleven o'clock.

House of Commons

Tuesday 18 July 1995

The House met at half-past Two o'clock

PRAYERS

[MADAM SPEAKER *in the Chair*]

MESSAGE FROM THE QUEEN

DOUBLE TAXATION RELIEF

The Vice-Chamberlain of the Household reported Her Majesty's Answer to the Address, as follows:

I have received your Addresses praying that the Double Taxation Relief (Taxes on Income) (Belarus) Order 1995 and the Double Taxation Relief (Taxes on Income) (Bolivia) Order 1995 be made in the form of drafts laid before your House.

I will comply with your request.

PRIVATE BUSINESS

BIRMINGHAM ASSAY OFFICE BILL

Lords amendment agreed to.

LONDON LOCAL AUTHORITIES (NO. 2) BILL *[Lords]*

(By Order)

Order for consideration, as amended, read.

To be considered on Tuesday 17 October.

BARINGS REPORT

Ordered,

That there be laid before this House a Return of the Report of the Inquiry into the circumstances of the collapse of Barings, conducted by the Board of Banking Supervision.—[*Mr. McLoughlin.*]

Oral Answers to Questions

HEALTH

Cycling and Walking

1. **Mr. Robathan:** To ask the Secretary of State for Health what estimate he has made of the potential contribution of (a) cycling and (b) walking to the health of the nation. [33208]

The Parliamentary Under-Secretary of State for Health (Mr. John Bowis): Responsible cycling and walking can improve physical and mental fitness and reduce the risk of coronary heart disease and stroke.

Mr. Robathan: May I, as a fellow Leicestershire Member of Parliament, welcome the new Secretary of State to his first Question Time?

I thank the Minister for that answer. Does he agree that activities such as cycling and walking can also improve blood pressure—particularly on a day like today when people's blood pressure is unnecessarily raised by a fatuous and ridiculous rail strike? To that end, will my hon. Friend co-operate with his colleagues at the Departments of National Heritage and Transport, and others, including Education and Employment, to ensure that cycling and walking are encouraged by all Government Departments?

Mr. Bowis: On behalf of my right hon. Friend, I am grateful for my hon. Friend's opening remarks; and I can confirm that he and I walked here for questions. I know of my hon. Friend's prowess as a cyclist. From time to time I am taken for a walk by my border terrier. We can certainly agree that cycling and walking are better for us than captaining losing tug-of-war teams, which he and I have both done.

My hon. Friend's point is a serious one: deaths from coronary heart disease could be reduced if we all undertook more regular, moderate exercise. It is also undoubtedly true that the physical and mental health of the nation would be improved if we took more exercise and if there were fewer strikes by the trade unions affiliated to the Labour party.

Mr. Tony Banks: If walking and cycling are so healthy, perhaps we should all be grateful to ASLEF for its strike, which means that people can walk and cycle to work. That is another way of looking at the dispute.

It is all very well recommending walking and cycling in London, but the air outside is poisonous. When is the Minister, in collaboration with his colleagues, going to do something to improve the quality of our air so that it will be a pleasure to walk and cycle in London?

Mr. Bowis: Of course, if public transport was not on strike, fewer people would be in cars, more would be on the railways, and there would be less air pollution. The hon. Gentleman is right, however, to say that the issue needs looking at. Together with our right hon. Friends in other Departments and in our committees, air pollution is being examined at present; but I hope that the hon. Gentleman will indulge in a little exercise whether or not the trains are on strike, so as to improve his mental as well as his physical health.

Sir Jim Spicer: Does my hon. Friend agree that all exercise is important, not just cycling and walking? In that context, does my hon. Friend agree that one of the most successful campaigns in Britain was the one run by the Sports Council, in conjunction with the Health Education Authority, "50 Plus and all to Play For"? Will my hon. Friend give encouragement to a similar campaign on a continuing basis to encourage those of us who are getting on a bit?

Mr. Bowis: First, I congratulate my hon. Friend on swimming the Thames for charity and raising, I think, some £16,000. That is a tremendous achievement. Next time, we look forward to him walking it.

My hon. Friend is right to draw attention to that excellent campaign by the Sports Council and the HEA for sport for the over-50s. The message today goes not just to the over-50s—this links with the launch of my right hon. Friend the Prime Minister's sporting initiative, which is also good for the health of the nation—but to people of whatever age, including those over 65, to take up not only sport but moderate and regular exercise.

Accident and Emergency Departments

2. **Ms Church:** To ask the Secretary of State for Health how many accident and emergency departments have been temporarily closed in the last month. [33209]

The Parliamentary Under-Secretary of State for Health (Mr. Tom Sackville): That information is not routinely collected, but I can tell the hon. Lady that the London ambulance service has no record of any temporary closures in the area of her constituency during the past month.

Ms Church: I thank the Minister for his reply, but I am extremely shocked that such figures are not available nationally. The figures from the London ambulance service supplied to me show that in June alone eight units were temporarily or partially closed and a further seven were put on "avoid admittance". The Minister must respond to the fact that there is a serious and excess demand for accident and emergency places, particularly in London, and I ask him to review his policy, particularly on Oldchurch hospital, because at the moment the demand there is excessive.

Mr. Sackville: Our hospitals are now seeing 13 million attendances a day which is a remarkable achievement for which the hon. Lady should give credit. This month, reasons for temporary closures included burst water mains in two cases, a power failure, an orthopaedic registrar taken ill and a shortage of junior medical staff. The hon. Lady should not seek to trivialise the difficulties that staff face.

Sir Sydney Chapman: Having read the report of the Royal College of Surgeons containing the shocking statistic that one in four deaths in our accident and emergency departments is avoidable, does my hon. Friend agree that a significant reason for that is the fact that too many accident and emergency departments are fragmented and cannot deal with every type of accident? If the paramount priority of our NHS is to save lives, at least in our more densely populated areas there should be fewer but more comprehensively equipped accident and emergency departments which, apart from anything else, would ensure greater cover by consultants.

Mr. Sackville: I welcome what my hon. Friend says because accident and emergency care has developed and changed more than almost any other part of the health service in recent years. Two things are needed: a network of paramedics—highly trained ambulance staff—who can treat patients on the ground and take them promptly to hospitals, and a network of high-tech accident and emergency units with access to all the major specialties. This is not about politics but about the medical facts of survival in accident and emergency units.

Mrs. Beckett: I join the hon. Member for Blaby (Mr. Robathan) in welcoming the Secretary of State to his new responsibility. The Minister's answer about accident and emergency departments and temporary closures is extraordinary. He says that this is an area of medicine that has changed more than any other. One of the changes, as he should be aware, is that we have seen a pattern of temporary closures of accident and emergency units across the country—in Peterborough, Hull, Wales and Scotland. Clearly, there is a serious problem.

Does the hon. Gentleman recognise that, first, that is the kind of information that the public want and need, not the stuff in the league tables which the British Medical Association recently called pointless and misleading, and that it is his duty and that of his Department to collect information about what are serious gaps in the service?

Mr. Sackville: The right hon. Lady is being ridiculous. The amount of time for which accident and emergency units are closed is a tiny fraction of the number of hours during which they are in operation. It is absurd to suggest that units do not inform each other of problems as they arise, or that they do not have systems enabling them to inform ambulance services.

Closures will happen from time to time. Accident and emergency work is unpredictable: there may be large surges of demand, staff may not be able to come to work, and numerous other problems may arise.

Mrs. Roe: First, may I add my congratulations to those that my right hon. Friend the Secretary of State has already received on his appointment?

Will my hon. Friend confirm that consultant expansion in accident and emergency services has taken place more rapidly than in any other specialty, with more than 100 extra consultants appointed within the past 10 years?

Mr. Sackville: That is true. The new faculty of accident and emergency came into being only a couple of years ago. There has been a rapid increase in the number of specialists, and a growing realisation that the latest techniques in accident and emergency treatment and resuscitation save many lives that would otherwise not have been saved.

Consultants

3. **Dr. Wright:** To ask the Secretary of State for Health what plans he has to review the working arrangements and contracts of consultants. [33210]

The Secretary of State for Health (Mr. Stephen Dorrell): None. The working arrangements and contracts of consultants are a matter for individual national health service employers.

Dr. Wright: Has the Secretary of State seen a recent report on consultants' working patterns by John Yates, who has advised the Government on waiting lists? In the light of that report, can the right hon. Gentleman explain why some consultant surgeons are operating five times as much as others? In particular, can he explain why some consultant surgeons who are working on maximum NHS contracts are finding it possible to work in the private sector for two or three half-days a week? John Yates has asked for a full and urgent inquiry; will the Minister give us one?

Mr. Dorrell: Let me begin by thanking various hon. Members for their good wishes on my appointment. I hope that they will not evaporate too quickly.

I am aware of the work that John Yates has done, but I do not agree with his conclusion, which appears to be that the planning of consultants' time is best handled at a national planning level. I think that it is best handled at the level of local management of the individual unit.

The hon. Gentleman asked why individual consultants' working patterns vary in different parts of the national health service. The answer is that individual consultants'

agreements with local NHS employers vary in different parts of the NHS. I should have thought that not only Conservatives but Opposition Members would welcome that. Let me refer the hon. Gentleman to page 26 of the Labour party's NHS policy document, in which, under the heading "Staff: the most vital resource", Labour commits itself to the following proposition:

"We favour local flexibility to meet local need."

I agree at least with members of the Labour party who sign up to that policy.

Mr. Rowe: I agree with my right hon. Friend about local arrangements. Does he agree with me that there is national anxiety about the work of consultants who are suspended from their own trusts? It strikes me as extraordinary that a consultant who has been suspended should be able to continue to work in the private sector without let or hindrance. There have also been far too many cases of consultants who have been suspended finding work in other trusts.

Mr. Dorrell: I entirely agree that the maintenance of professional standards of medical conduct, both in the NHS and in private practice, is an important issue for the medical authorities and, ultimately, the General Medical Council to consider. I welcome the fact that the Medical (Professional Performance) Bill, which was passed earlier in the Session, will allow a more rigorous view to be taken by the medical authorities. I shall follow up my hon. Friend's point in that context.

Ms Jowell: Why does the Department propose to stop collecting information about the availability and use of operating theatres? Is it not because the Government want to fiddle the figures for the number of operations that are carried out and cancelled, just as they have fiddled the unemployment figures over the past 10 years?

Mr. Dorrell: No, it is much more straightforward than that. We should collect information that we are going to use; we should not waste taxpayers' resources by collecting information for which there is no effective use, so the test to be applied to all administrative routines in the national health service is: will this improve patient care? If it does not pass that test, the administrative routine will be abolished.

West Sussex NHS

4. **Mr. Stephen:** To ask the Secretary of State for Health what steps he is taking to strengthen the NHS in West Sussex. [33211]

The Minister for Health (Mr. Gerald Malone): I am pleased to be able to tell my hon. Friend that more than £284 million, including £6 million in growth money, has been allocated to West Sussex this year for investment in health services. They will have nearly £12 million more growth money next year. There is also a five-year capital programme of more than £100 million. That represents a significant demonstration of commitment to the health of my hon. Friend's constituents.

Mr. Stephen: On behalf of all my constituents, I thank my hon. Friend for the massive injection of cash that the Government have put into the local NHS. Will he join me in thanking not only the doctors and nurses, but the administrators, without whose skill and dedication the local NHS would not have been able to treat more patients, and to a higher standard today than at any time in its history?

Mr. Malone: My hon. Friend is right. It is team work of clinicians, administrators and everyone involved in the NHS that delivers high standards of excellent health care, but I must give him a warning. I mentioned growth money in his constituency and in that part of West Sussex. That comes from savings in bureaucracy from getting rid of regions, which the Labour party has pledged to restore. I ask him therefore to point that out to his constituents, and to tell them that, if they want that growth money to flow, they had better have a careful look at Labour party policy.

Junior Doctors

5. **Mrs. Helen Jackson:** To ask the Secretary of State for Health how many junior doctors are (a) contracted for and (b) working more than 72 hours per week. [33213]

Mr. Malone: Our task forces reported that, as at 8 February this year, 768 hard-pressed on-call posts still required action to comply with our aim to bring all such posts within 72 contracted hours. That was a reduction of 88 per cent. from the position in March 1994. A further 1,776 posts in the less onerous, non-acute specialties are due to be brought down to 72 contracted hours by December 1996.

Mrs. Jackson: I thank the Minister for his reply, but has he seen the big notices on motorways which say that tiredness can kill, and that applies to lorry drivers whose maximum working week is a mere 45 hours? Is he aware that the 72 contracted hours level that has been agreed is an average, not a maximum, and that as many as six out of 10 junior doctors may regularly be working more than 72 hours? Does he agree that an exhausted young doctor in a hospital ward where the nursing staff is overstretched must be a danger to patients' safety?

Mr. Malone: I suggest that the hon. Lady considers the signs in her constituency, never mind signs on motorways. Northern general hospital has one of the best records in cutting hard-pressed posts—there are none at all over 72 hours. Only 14 per cent. of juniors are working more than 56 hours, which is less than half the national average, so perhaps, when she looks for success in this policy area, she might best look at home.

Of course, we do not want junior doctors who are exhausted. That is why, since 1991, 1,150 extra doctors have been brought into the health service to help reduce hours and why we are determined not just to reach our targets on the 72-hour commitment, but to work with junior doctors to ensure that the real time worked comes down to 56 hours as well.

Mr. Harry Greenway: Why do some junior doctors work much longer hours than the average and than those who work a normal week? Is better management required? Is work going on to achieve that?

Mr. Malone: My hon. Friend is right to point out the variations that take place across specialties. The reason for that is straightforward. Different specialties require different work patterns. For example, in some specialties, a large proportion of the time is spent on call; in others,

the work is especially active. That is the reason for the variation across specialties, but of course we are trying to ensure that we come within the overall targets set.

Mr. Nicholas Brown: I congratulate the Minister of State on surviving the ministerial reshuffle. Given the increasing commercial pressures being placed by the internal market on hospital trusts, and given that the Government recently announced that the contracts of junior doctors are to be held by the trusts, not by the region or the Department, will he confirm that the hours worked by junior doctors now stand to be negotiated locally and that the wages and conditions of junior doctors also stand to be negotiated locally by the hospital trusts?

Mr. Malone: May I congratulate the hon. Gentleman on not being whisked off to Australia with the Leader of the Opposition to deliver a lecture, but remaining here to ensure that the health policy set by his leader is observed by the right hon. Member for Derby, South (Mrs. Beckett). The question of junior hospital doctors' contracts and the custody of them is perfectly straightforward. They are best held at trust level. If they were held at regional level, we should have the curious experience of doctors becoming civil servants, which is not what anyone wants. The details are still being discussed with junior doctors but we are alive to their concerns. Deans will be responsible for the educational aspect of their contracts. I hope that we shall be able to resolve the matter in the not too distant future.

Mr. Waterson: Does my hon. Friend agree that the best measure of the Government's success in this area is not only that 96 per cent. or so of junior doctors are meeting the new deal targets on hours but that we are beginning to hear comments from the profession itself suggesting that junior doctors are missing out on vital experience because they are required to clock on and off, as it were, to meet some of those targets?

Mr. Malone: My hon. Friend is quite right to point out that such comments are increasingly being made by junior hospital doctors, but, despite that, I must stress the Government's commitment to ensuring that those targets are met. We are determined that they should be met, but it depends, of course, how each trust configures the service. It must be done with two things in mind: reducing the burdens on junior doctors and ensuring that they get proper and flexible training.

Parents (Travel Costs Allowance)

6. **Ms Lynne:** To ask the Secretary of State for Health what plans his Department has to review the travel cost allowance and facilities provided for overnight accommodation for low-income parents of children undergoing major surgery outside their locality. [33214]

Mr. Bowis: The 1993 Audit Commission report "Children First" showed that most hospitals provide facilities for parents to stay overnight at no charge. The hospital travel costs scheme for taking a child to hospital is kept under review. Community care grants for hospital visiting of children are a matter for my right hon. Friend the Secretary of State for Social Security.

Ms Lynne: I am grateful to the Minister for that reply, but does he not think it unacceptable that parents whose children have to have major surgery in an area outside their own have to search for funding either from the social fund or from charities to enable all their costs to be met? A constituent of mine eventually managed to obtain funding from the social fund, but it did not meet all the costs. She went to see her daughter who was having surgery in Birmingham but found it very difficult to manage. Will the Minister review the situation and introduce a rule whereby all NHS hospitals provide not only accommodation but transport costs?

Mr. Bowis: The hon. Lady says that families should not have to hunt for funds. I have here a guide that contains information for parents of children going to hospital. We have a very good system of support for families on low incomes—if they are taking a child to hospital, they are covered by the hospital travel costs scheme and if they are visiting, they can have access to social fund community care grants. There is discretion for those above income support level if their journeys are regular and frequent.

The hon. Lady should think carefully about what she said about travel beyond local boundaries. If a child is ill, one of course wishes that child to go wherever the best treatment is, and there are now many hospitals in major centres around the country where careful consideration is given to the needs of families. Increasingly, there are beds for parents and even beds next to the children's beds. I hope that the hon. Lady will consider what a success story that is.

Dame Jill Knight: Will my hon. Friend not follow that line of questioning and give help only to children who have had major surgery? Does he accept that although leukaemia sufferers, for example, may not need major surgery, their parents need to be with them? Is he aware that voluntary bodies have set up hostels for just such cases, as happened in Birmingham? Will he listen with a sympathetic ear to any of them who ask for help?

Mr. Bowis: I will always listen with a sympathetic ear to my hon. Friend. I know well of the success story of the voluntary hostels in Birmingham to which she has referred and I shall certainly look at it. As I promised, we shall keep the whole scheme under review. She knows too of the remarkably good facilities in the Birmingham children's hospital, with some 29 parents' beds and five flatlets available for families. There has been progress in that area and we want it to continue.

Cigarette Smoking

7. **Mr. MacShane:** To ask the Secretary of State for Health what action his Department is taking to reduce the prevalence of cigarette smoking among young people; and if he will make a statement. [33215]

Mr. Sackville: Action is being taken across government to reduce smoking among young people.

Mr. MacShane: Is the Minister aware that for many people the quintessential image of life in Conservative Britain is a young school girl or school leaver with a fag drooping out of his or her mouth? Is he further aware that the incidence of smoking among school girls is on the increase and that the money allocated to campaign against it has been cut by half in the past 12 months? Is not the fundamental problem that the Conservative Government

take any money in any form from tobacco companies rather than legislate in advertising or any other sphere to put the health of our young people first?

Mr. Sackville: A Government who increase by a huge figure the taxation on tobacco in every Budget are hardly trying to encourage tobacco producers or the use of their product. The hon. Gentleman thinks that he is a good European. He may like to ask his friends in Brussels why they continue to pay £1 billion a year for the production of tobacco in southern Europe, and why at least one European country taxes tobacco so low that cigarettes are sold at a fifth of the level in this country. He might like to consider whether behind his question and his new-found interest is a certain whiff of Euro-hypocrisy.

Mrs. Lait: Is my hon. Friend aware that one of the reasons why there has been an increase in smoking among young people is the prevalence of cheap, smuggled tobacco? What is he doing in the Council of Health Ministers to raise public awareness of that issue in the other European countries?

Mr. Sackville: We are doing everything possible to persuade our European partners, in the spirit of harmonisation, to increase their taxation on tobacco. Of the major countries, we are by far the largest taxer of tobacco. I agree with my hon. Friend that just as it is very difficult to persuade young people not to do things on the ground that it is bad for their health, it is also very difficult to persuade them not to buy cigarettes cheaply across the channel and bring them into this country.

Mr. Kirkwood: Is the Minister aware of the new moves being taken by the public health authorities in the United States to consider making tobacco and nicotine controlled substances under the dangerous drugs regime? Will he assure the House that the Department of Health will watch carefully what is happening in that regard? Would not the most effective way of dealing with smoking in young people be for the new ministerial team simply to ban the advertising of cigarettes available to young people?

Mr. Sackville: Having brought the accursed habit of smoking from the American colonies originally, perhaps we can learn some lessons from them on how to reduce consumption here.

GP Fundholders

8. **Mr. Duncan Smith:** To ask the Secretary of State for Health how many fundholding general practitioners there are in Redbridge and Waltham Forest district. [33216]

Mr. Dorrell: There are currently 86 general practitioners who are fundholders in the Redbridge and Waltham Forest family health services authority area serving an estimated 44 per cent. of the population.

Mr. Duncan Smith: I thank my right hon. Friend for that information. Does he agree that one of the great success stories of fundholders has been the fact that they have helped improve standards across the board for all general practitioners by the use of innovation and best practice, not only by driving down the cost of the drug budget, but by bringing areas of medicine into their practice? Will my right hon. Friend undertake to do two things as a result: first to make it even easier for other practitioners to become fundholders as fast as possible, and secondly to expose the nonsense of the Opposition, who seek to level downwards to get rid of best practice and innovation and to crush the whole idea of improvement among general practitioners?

Mr. Dorrell: I entirely agree with both my hon. Friend's propositions. He will know that we are developing fundholding by extending the concept to include the total purchase of health care for a particular resident population and by extending it down the patient list size. There is now a fundholding scheme for relatively small general practices. Both of those are welcome developments which follow through the Government's policy of giving real budgets to doctors to allow them to make real choices. That is in preference to Labour's policy, which is to give notional budgets to doctors to allow them to make notional choices.

It is an extraordinary commentary on the Labour party that, when it is given the choice between regional health authorities and fundholding practices, it chooses to keep regional health authorities and to abolish fundholding practices. That, of course, is before we have heard the word from Hayman Island about where the policy should go next.

Mrs. Beckett: Surely the Secretary of State must be aware that, although there is no evidence to justify the statements just made by the hon. Member for Chingford (Mr. Duncan Smith)—there is no proper evidence and no evaluation behind those statements—there is growing evidence that GP commissioning is both more effective and less expensive than fundholding. As the Secretary of State seems to have overlooked them, I draw to his attention the recent remarks by Duncan Nichol, the former head of the health service executive. He said that he preferred GP commissioning and then said:

"You don't necessarily need the budget in your hand but you need to influence it."

As the evidence is on the side of GP commissioning rather than fundholding, why are the Secretary of State and his colleagues trying to discourage commissioning? Why are they wasting money and risking fragmenting the health service by forcing people to become fundholders?

Mr. Dorrell: The right hon. Lady says that there is no evidence; that is not true. The efficiency with which fundholders use their resources has been assessed at between a 3.5 and 4 per cent. improvement year by year. The total cost of the administrative element of the fundholding budget is between 2 and 3 per cent. Even if one assumes that the total cost is extra cost, it is actually paid for by the efficiency achieved by fundholding doctors. In terms of the choice between notional commissioning and hard budgeting, I should like to hear the right hon. Lady explain why she thinks that a doctor is better able to deliver value for his patients if he is given a notional budget than he is if he is given the opportunity to commit real money to buy real care from real health service providers.

Waiting Lists (Dorset)

9. **Mr. Ian Bruce:** To ask the Secretary of State for Health what assessment he has made of the trend in waiting lists in Dorset compared to the rest of the country. [33217]

Mr. Malone: The numbers of patients on waiting lists fell last year both in Dorset, by 1.3 per cent., and nationally, by 2 per cent. More importantly, Dorset hospitals have made considerable progress in reducing waiting times.

Mr. Bruce: Does my hon. Friend agree that much of the success of the hospitals in Dorset can be explained by exactly what the right hon. Member for Derby, South (Mrs. Beckett) asked for—the evidence? The evidence is that going ahead quickly with fundholding and trusts has been extremely successful. Will my hon. Friend congratulate the people in the NHS in my constituency and throughout Dorset on their work? There is, perhaps, one cautionary tale. I would be grateful if my hon. Friend would look at dentists in Dorset to see whether he can get them as well sorted out as the rest of the health service in Dorset has been.

Mr. Malone: On the last point, I am of course happy to look at the position of dentists. I am also happy to congratulate all those who work in hospitals in Dorset. There have been fantastic achievements. There were 97 six-month waiters in the West Dorset General Hospitals trust in September 1994. That figure is now down by 100 per cent. There was one six-month waiter at the Poole Hospital NHS trust in 1994; that figure is down by 100 per cent. The Dorset Healthcare trust had only three six-month waiters in 1994; that figure has been reduced by 100 per cent. At the Royal Bournemouth and Christchurch Hospitals NHS trust, there were 333 patients who had waited for more than six months at 30 September 1994; that figure is down by 100 per cent. That is a 100 per cent. success rate for west Dorset. My hon. Friend is right to congratulate all those who are responsible for delivering it.

Mrs. Golding: The Minister may be interested to know that I worked in the Dorchester hospital many years ago. For that reason, I have taken a keen interest in what is happening in the area. The Minister quotes figures. He should be aware that 811 operations were cancelled in Dorset in the past financial year and that 20 per cent. of the patients involved were not readmitted within one month as agreed in the charter. The Minister will also know that nationally in the three months to March 1995, there was a 22 per cent. increase in operation cancellations. The number of patients who were not readmitted within one month increased massively to 49 per cent. on the previous three months.

There is great concern that so many operations are being cancelled, often at the very last moment when patients have received their pre-medication and have been fully prepared for the theatre. Surely the Minister cannot continue to be complacent. The situation is causing extreme distress and inconvenience to many people, especially to children. What does he intend to do about it?

Mr. Malone: I welcome the hon. Lady to the Dispatch Box and to her responsibilities. Cancellation of operations across the country as a whole is a matter for concern, and one that individual hospitals are addressing. Only last week I visited Basingstoke hospital, where a pre-admissions ward has reduced cancellations almost to zero. We must make such initiatives widely known throughout the country, so that the problem can be dealt with.

Resource Allocation

10. **Mr. Timms:** To ask the Secretary of State for Health when and how he intends to implement the modified weighted capitation formula in allocating resources to health authorities. [33188]

Mr. Dorrell: The modified formula will be used as the basis of allocations to the new health authorities in 1996-97. Implementation will be gradual in order to safeguard continuity and stability of funding.

Mr. Timms: The Secretary of State will be aware that the York university report commissioned by the Government and published in October showed conclusively that inner-city areas such as mine do not receive an adequate share of health service resources. In the light of that information, is the right hon. Gentleman satisfied with the fact that it has taken so long to introduce the new formula, and is he as alarmed as I am by the fact that, this year, for the first time, 24 per cent. of the resources allocated to health authorities are being distributed without reference to deprivation criteria? What initiatives can he announce to the House to ensure that people living in areas such as mine receive a fair deal in the allocation of health service resources?

Mr. Dorrell: The hon. Gentleman asked what initiatives we have to ensure the fair allocation of resources throughout the health service. I entirely agree that fair allocation of resources is an important priority; that is why the York university work was done, at the Government's request, to ensure that the weighted capitation formula represented a fair way of distributing resources to purchaser health authorities. As for the hon. Gentleman's question about the 24 per cent., the York university work covered roughly 76 per cent. of health care—in-patient and day-patient care—but did not cover the assessment of need for community and other services. That element of health service care not covered by the York university work accounts for 24 per cent. of total resources. That is why that element is not covered by the formula.

Mr. Jenkin: Does my right hon. Friend agree that in areas such as my constituency of Colchester, North there has historically been a lack of funds because of the unfair distribution of resources? I welcome the new formulae. Does my right hon. Friend also agree that waiting lists in places such as north-east Essex reflect the problem of unequal funding rather than a lack of efficiency in hospitals?

Mr. Dorrell: My hon. Friend is right to say that the allocation of resources to his constituents needs updating. That is why we have changed the formula, and why the new formula will be used to distribute resources in future. *[Interruption.]* The right hon. Member for Sedgefield (Mr. Blair) has returned to us, and it would be wrong of me to let this moment pass without welcoming him back from his travels. Moses went to Mount Sinai and the right hon. Gentleman has been to Hayman Island. It is right for the whole House to welcome him on his return.

Mr. Bayley: The Secretary of State paid a fulsome tribute to the York university researchers who did the work on which his new NHS funding formula is based, but he did not answer the question asked by my hon. Friend the Member for Newham, North-East

(Mr. Timms). Why has the Department entirely removed the needs weighting for the community health services part of the funding formula? When will the Government start increasing funding for underfunded health authorities in inner cities and in the north so that everybody in the country will get an equal and fair share of NHS funding?

Mr. Dorrell: The answer is that the formula does not apply to the 24 per cent. to which the hon. Gentleman referred because it is not designed to apply to it. He asked when the process of change is to start, but the answer is that it has already started. This year, the regional health authority allocation to district health authorities is informed by the new formula, and we will ensure that future distributions are also informed by the formula.

Finchley Memorial Hospital

11. **Mr. Booth:** To ask the Secretary of State for Health if he will make a statement about the Finchley Memorial hospital. [33189]

Mr. Bowis: The Finchley Memorial hospital is an excellent example of a community hospital providing a range of services to local people including rehabilitation and respite care, out-patient clinics and therapy services.

Mr. Booth: My hon. Friend commends the Finchley Memorial hospital as a community hospital and for its excellent work. In launching the neighbouring community hospital in Edgware, will he hold up the Finchley Memorial hospital as an example of best practice, and so take the scare out of the scaremongering of Opposition Members?

Mr. Bowis: My hon. Friend is absolutely right. The hospital is part of a pattern for the modern health service in providing community services, and those services have been backed by a further £15 million of primary care from Barnet health authority. That should provide a pattern for the future of which my hon. Friend can be proud.

PRIME MINISTER

Engagements

Q1. **Mr. Keith Hill:** To ask the Prime Minister if he will list his official engagements for Tuesday 18 July. [33178]

The Prime Minister (Mr. John Major): This morning, I had meetings with ministerial colleagues and others. In addition to my duties in the House, I shall be having further meetings later today.

Mr. Hill: Does the Prime Minister share— *[Interruption.]*

Madam Speaker: Order. I must hear the question. Hon. Members must stop shouting.

Mr. Hill: Does the Prime Minister share the public's concern about hon. Members who peddle political influence for private gain? If so, why is he rejecting Lord Nolan's plan that earnings from such activities should be declared? Where does he stand on the matter? Why, for once, does not he give a lead?

The Prime Minister: When the hon. Gentleman began, I thought that he was going to comment on the rail strike. The fact that he is sponsored by the National Union of Rail, Maritime and Transport Workers might explain why he did not. The House will have an opportunity to discuss the matter that the hon. Gentleman has in mind, and I look forward to that.

Q2. **Mr. Sumberg:** To ask the Prime Minister if he will list his official engagements for Tuesday 18 July. [33179]

The Prime Minister: I refer my hon. Friend to the answer I gave some moments ago.

Mr. Sumberg: Now that we have seen the quite ridiculous spectacle of the Labour leader travelling around Australia passing himself off as Margaret Thatcher, is it not time that my right hon. Friend reminded the House that while he was actively working in support of Margaret Thatcher's policies of low taxation, a strong national defence and moderate trade unionism, that very same Labour leader was actively and consistently opposing every single one of those policies?

The Prime Minister: It seems to be the case that the Labour party in opposition today supports the policies that it opposed so vigorously in the 1980s. I have no doubt that the Labour party in opposition in the future will support the policies that it so vigorously opposes today.

Mr. Blair *rose—[Interruption.]*

Madam Speaker: Order.

Mr. Blair: I would have slightly more respect for Conservative Members who say how shameful it is to have dealings with the Murdoch press if they had said that at the time of the 1992 general election.

I have given the Prime Minister notice of this question on Bosnia. After the appalling events in Srebrenica and Zepa, does the Prime Minister agree, first, that rather than talk of withdrawal, having designated safe areas and encouraged people to enter them, it is our duty to pursue all practical means to uphold the United Nations mandate and prevent further ethnic cleansing; secondly, that we should use UNPROFOR to open up the supply road to Sarajevo; thirdly, that we must impress on our American colleagues the absolute necessity of practical support for our actions rather than just rhetoric; and, finally, that, as threat after threat has been made to the Bosnian Serbs but not carried out, over the next few days we must work out our bottom line and this time stick to it, otherwise the consequences for the United Nations and for the resolution of conflicts everywhere will be lasting and disastrous?

The Prime Minister: The right hon. Gentleman and I spoke at length about Bosnia earlier this morning and I am grateful to him for saying at that time that he would raise the general question this afternoon.

Let me say to the House on the back of the right hon. Gentleman's question that there are, in reality, only three options for the future in Bosnia. The first is to see events escalate from the present circumstances into full-scale war, which would need a huge NATO force, including American ground troops, if that were remotely practical. The second option is to try to continue the United Nations humanitarian and peacekeeping work. That is becoming more dangerous and hazardous as day succeeds day, and carrying on that work does not guarantee prevention of the sort of attacks that we have seen at Srebrenica and are seeing at Zepa at the moment. Against that, however, the

activities of the United Nations are still saving a great number of lives and the activities of British troops in central Bosnia in particular have brought peace to an area where we saw bloodshed and carnage on a massive scale only two years ago. The third option is to withdraw UNPROFOR and then lift the arms embargo. It is possible that events will head in that direction but I believe that, if that were to happen, it would be a course that we would regret, and that the Bosnians would come to regret as well.

There are no magic answers. What is clear—we need to be entirely clear about it—is that it is not practical to mix war fighting with peacekeeping. Of those difficult options, I am sure that the right way is to go on trying to keep the peace, trying to provide help and trying to promote negotiations, until or unless that becomes impossible.

It is to deal with matters such as the specific points that the right hon. Gentleman raised that we have taken the lead this week in international efforts, including the meeting of chiefs of defence staff on Sunday, the visit of my right hon. Friend the Defence Secretary to Bosnia, the visit of my right hon. and learned Friend the Foreign Secretary to Washington, and the conference that we have called for Friday this week to try to deal specifically with questions such as those raised by the right hon. Gentleman and to determine a viable way forward for the protection forces and the diplomatic process. I hope that such a way can be found because, if it cannot, the alternatives for Bosnia and the whole region are potentially catastrophic.

Sir Ivan Lawrence: Is my right hon. Friend aware that, thanks to the Government, the police and the courts, crime has been falling throughout the country for the past two years? In Staffordshire, crime has fallen by 14.5 per cent. and in the City of London it has halved. Does that not show that we are the party of law and order? As my hon. Friend the Member for Welwyn Hatfield (Mr. Evans) would say, by opposing every toughening measure that we have introduced, that lot over there are nothing but wind and soundbites.

The Prime Minister: I am grateful to my hon. and learned Friend. I agree with his analysis and the accuracy of pointing out that the crime statistics are indeed falling and have been falling for some time. Neither the Government nor the police are complacent about the task that lies ahead and I commend a number of police constabularies for the innovative moves that they have made—Operation Bumblebee is but one example—to target particular types of crime. My right hon. and learned Friend the Home Secretary believes that it is important to continue in that fashion. We intend to do so, and to continue to give top priority to the battle against crime.

Mr. Beith: If there is not to be a total and irreversible humiliation of the United Nations and all that it stands for in this desperate situation, do not clear and achievable objectives have to be identified and followed through? Would not one of those objectives be the maintenance and defence of a clear humanitarian route over Mount Igman to Sarajevo to relieve and supply that city?

The Prime Minister: The right hon. Gentleman may be right about that. It is one of the matters that is being examined at the moment with the commanders on the ground. A route over Mount Igman would be suitable in the summer but perhaps less suitable in the winter. What is necessary for Sarajevo is an access and egress route in both summer and winter, but I do not deny the importance of having proper access and egress over Mount Igman.

The right hon. Gentleman and others should appreciate that it is necessary to look at the wider question as well as individual snippets of policy, such as the proposed route, in order to get a proper view of what is practicable and what it is possible to ask the forces to do and to maintain. I repeat that one cannot mix war fighting with peacekeeping. It is important for the safety of our troops and protection forces for that to be recognised. There is an element of action that can be taken, but we must leave it to the commanders on the ground to determine precisely where that line is drawn, unless the western democracies are prepared to cross that line entirely towards a war-fighting role. I see no indication that those powers are prepared to do that.

Sir Malcolm Thornton: Will my right hon. Friend join me in congratulating the Royal Liverpool Philharmonic orchestra and its management on the completion of a highly successful summer pops concert programme that has given pleasure and enjoyment to 25,000 people? Will my right hon. Friend also reflect on the fact that it was held in the Merseyside development corporation area, which represents a continuing commitment to the Government's wish to regenerate the inner-city areas?

The Prime Minister: I am happy to congratulate everyone concerned on what was clearly an attractive and worthwhile event. My hon. Friend is right to point out the proposals that we have carried out for some years to regenerate the inner-city areas. There is a good deal more to come, and I believe that people up and down the country will welcome it.

Q3. **Mr. Winnick:** To ask the Prime Minister if he will list his official engagements for Tuesday 18 July. [33180]

The Prime Minister: I refer the hon. Member to the answer I gave some moments ago.

Mr. Winnick: Do the Prime Minister and the leaders of other western democracies understand how deeply betrayed the people of Bosnia feel? They live, or did live, in so-called safe areas, but they have been given no protection in the face of Serbian aggression. If it was right, as I believe that it was, for the House to pass legislation about alleged Nazi war criminals living in Britain, what are we and the international community going to do about those war criminals in Bosnia today who are ethnic cleansing, mass murdering, raping and committing other such war crimes? Will any action be taken to bring those war criminals to justice?

The Prime Minister: The hon. Gentleman knows the answer to that because it has been given in the House on a number of occasions—he knows that the answer is yes. I know that the hon. Gentleman feels deeply about this matter, but he should not underestimate the work done by the aid agencies and United Nations troops, who have aided those agencies to carry out work that otherwise would have been impossible to complete. Many people are alive today who would not have been but for that action, which was largely led by this country and British troops.

Mr. Churchill: I fully appreciate the difficulties confronting my right hon. Friend in the decisions that he

must take with his fellow national leaders over Bosnia. Is he aware, however, that the honour of Britain is engaged in the defence of the safe haven of Gorazde, which the Government established, and which is guarded by 200 Royal Welch Fusiliers? Is it not now incumbent on us to ensure the safety of those tens of thousands of the civilian population who have flocked there? Will he make sure that we and our allies, together with the United States, do all in our power to ensure that Gorazde does not fall?

The Prime Minister: I am conscious of that, but my hon. Friend would be the first to realise that it would not be appropriate for me to expand on that matter.

Q4. **Mr. Illsley:** To ask the Prime Minister if he will list his official engagements for Tuesday 18 July. [33181]

The Prime Minister: I refer the hon. Gentleman to the reply I gave some moments ago.

Mr. Illsley: Does the Prime Minister realise that the recommendations of the Greenbury committee will do nothing to curb the obscene pay rises that have been awarded to the directors and chief executives of privatised utilities? Does he further realise that the announcement yesterday about taxation will affect the half a million ordinary employees who have share options? Is it not time that the Prime Minister took action to curb excessive pay awards in major companies rather than increasing the tax burden on ordinary employees?

The Prime Minister: I know that it is coming to the end of term, but that is pretty rich from the hon. Gentleman. The Labour party has been calling for share options to be taxed as income for some time. Just as some Members now appear to be calling for a 50 per cent. tax rate on earnings, here is the hon. Gentleman talking about reducing taxes. There seems to be a lack of conjunction between the Front Bench and the Back Bench.

As far as other matters are concerned, I believe that the right hon. Member for Sedgefield (Mr. Blair) said yesterday, some way away,

"There is, believe it or not, still prejudice against success".

Well, there sits the prejudice—right along the Labour Benches.

Business of the House

3.30 pm

The Lord President of the Council and Leader of the House of Commons (Mr. Tony Newton): I should like to make a short business statement. The business for tomorrow—*[Interruption.]*

Madam Speaker: Order. This is a most important statement, which the House should pay attention to. Would those Members who are leaving please do so quietly, because the remainder of us want to hear what it is all about?

Mr. Newton: The business for tomorrow will now be as follows:

Until 2.30 pm, there will be debates on the motion for the Adjournment of the House.

For three hours, there will be a debate on the First Report of the Select Committee on Standards in Public Life.

Consideration of Lords amendments to the Children (Scotland) Bill.

That will be followed by a debate on Bosnia on a motion for the Adjournment of the House, for a further three hours.

Mrs. Ann Taylor (Dewsbury): May I thank the Leader of the House for that statement, and say that we recognise the need for a debate on Bosnia in the present circumstances? Obviously, he is right to make arrangements for the House to discuss that specific matter in a specific debate, rather than using the Wednesday morning debate for that purpose. We shall also understand if the Prime Minister and the Leader of the House feel it necessary to recall Parliament in the recess, given the speed with which events may move.

May I ask the Leader of the House whether he can clarify the position of the Foreign Secretary, who was here a few moments ago for Question Time? I understand that the Foreign Secretary is going to Washington shortly. Surely it would be possible for him to delay that visit so that he can participate in that debate tomorrow, and surely it will be right for him to do so.

Finally, I do not want to quibble with the statement that the right hon. Gentleman has just made, but, in view of the fanfare last week when the Prime Minister launched his sports policy, may we ask whether that debate will be rearranged—or will sport be put back on the back burner?

Mr. Newton: I welcome the hon. Lady's generally constructive and supportive remarks. I shall return to her last point in a moment.

As far as the debate on Bosnia is concerned, my right hon. and learned Friend the Foreign Secretary is going to Washington, as my right hon. Friend the Prime Minister said, and I believe that most people in the House will regard it as important that he should play his full part in the international discussions that need to be associated with effective action in Bosnia. The debate in the House will be taken on behalf of the Government by my right hon. Friend the Secretary of State for Defence and my hon. Friend the Minister of State, Foreign and Commonwealth Office, the hon. Member for Upminster (Sir N. Bonsor).

There is, of course, no suggestion of putting sport on the back burner. I believe that it will be universally agreed that Bosnia must come ahead of it tomorrow, but of course I shall make every effort to provide time for a debate on sport in the spillover.

Mr. Archy Kirkwood (Roxburgh and Berwickshire): I am happy to endorse the change in the business for tomorrow; it is absolutely right and proper that the House should have an opportunity to discuss the Bosnian situation before the summer recess. Will the Leader of the House give an assurance that it will not be a substitute for a recall of Parliament, if the circumstances dictate that Parliament should be recalled?

Secondly, I hope that I can assist the right hon. Gentleman by assuring him—I think that I speak for most hon. Members from Scotland—that the Lords amendments to the Children (Scotland) Bill are largely uncontentious and should be taken more or less formally to enable the House to go straight to the debate on Bosnia, as is right and proper in the circumstances.

Mr. Newton: On the Children (Scotland) Bill, I should make it clear that that business was inserted following representations from both sides of the House, and on the clear understanding that the amendments are uncontentious and should pass through the House without difficulty. The business will not impede the debate on Bosnia. I am grateful for the hon. Gentleman's affirmation of that fact on behalf of the Liberal Democrats.

On the hon. Gentleman's first point, yes, I think that I have shown—by this statement and various other changes that I have made, including the recall of Parliament during the short recess—that the Prime Minister and I are always willing to make appropriate arrangements as circumstances necessitate.

Mr. Nigel Spearing (Newham, South): Why did not the Leader of the House make it clear in his statement that the important debate on Bosnia was, in effect, replacing the planned debate on sport? Does he recall that, on Friday at 9.30 am, I said that, despite the presence of the Minister responsible for sport on the Front Bench, there was to be no statement in the House at 11 am, although one was made at Millwall football ground? Does not the right hon. Gentleman agree that he could perfectly easily move the motion tomorrow at 10 o'clock to suspend the rule, so that we could have a debate on sport for two or three hours? If he does not do that, he might well be accused of putting sport on the back burner.

Mr. Newton: I have already said something on that subject to the hon. Member for Dewsbury (Mrs. Taylor), and it would be a ridiculous charge if pressed. I also think that it would be ridiculous for anyone to think anything other than that, in today's circumstances, it is more appropriate to debate Bosnia tomorrow.

Mr. John Marshall (Hendon, South): While I recognise the need to replace the debate on sport, does my right hon. Friend accept that a sum of £100 million for a sports academy gives the lie to those who say that the Government are putting sport on the back burner?

Mr. Newton: My hon. Friend is as helpful to me from below the Gangway as he used to be from above it.

Mr. Tony Banks (Newham, North-West): Why can we not have the debate on Bosnia on an Executive motion

from the Government, so that we can vote at the end of it and the will of the House can be made known to the country at large? If the Prime Minister has his summit meeting on Friday, would it not be appropriate to suspend the Adjournment of the House for the summer recess until next week?

Mr. Newton: I do not think it would, especially given what I have already said by implication to the hon. Member for Dewsbury, and more directly to the hon. Member for Roxburgh and Berwickshire (Mr. Kirkwood), about our willingness to make appropriate arrangements—for example, for a recall—should that prove necessary.

Mr. Andrew Faulds (Warley, East): Is the right hon. Gentleman aware that his assurance about a recall of the House was perhaps not quite as categoric as it should have been? May we have an absolute assurance that, if this Government of supine gentlemen plan a retreat from Bosnia, in the scuttle they intend, the House has a chance to debate the matter before it is done?

Mr. Newton: I shall try to keep my tone down, despite the way in which the hon. Gentleman raised—

Mr. Faulds: Bloody disgrace.

Madam Speaker: Order. The hon. Member for Warley, East (Mr. Faulds) should keep his temper—nobody in the House wants to hear it.

Mr. Newton: I shall say as calmly as I can to the hon. Gentleman that, if we felt that Bosnia did not matter, we would not have recalled Parliament during the recent short recess precisely because of an important development that needed to be debated.

Mrs. Maria Fyfe (Glasgow, Maryhill): May I thank the Leader of the House for responding to a request to bring forward the Children (Scotland) Bill tomorrow, which is much appreciated by all those involved in Scotland? Will he tell us now that all possible steps will be taken to ensure that that legislation is implemented as quickly as possible?

Mr. Newton: That is the purpose of inserting the legislation in tomorrow's business, and I am grateful to everyone who has co-operated in the process, including the hon. Lady.

Mr. Chris Mullin (Sunderland, South): Why are the Government attempting to push through the draft Broadcasting (Restrictions on the Holding of Licences) (Amendment) Order 1995 on the nod this afternoon, when it was rejected in Committee only last week?

Madam Speaker: Order. The hon. Gentleman is quite out of order. We are concerned only with the very narrow business statement about tomorrow's change of business. As I am sure there are no more questions about that, we will move on to the statement from the Chancellor of the Exchequer.

Barings

3.39 pm

The Chancellor of the Exchequer (Mr. Kenneth Clarke): With permission, Madam Speaker, I should like to make a statement about the Board of Banking Supervision's inquiry into the collapse of Barings. I set up the inquiry in my statement to the House on 27 February and I have recently received the board's report from the Bank of England.

Since receiving the report, I have had to consider very carefully the legal considerations relevant to publication. I am sure that it is right for Parliament to have the report in all its detail, so that its consideration of the Board of Banking Supervision's conclusions and the lessons to be learned can be properly informed.

I have concluded that the balance of the public interest lies firmly in favour of publishing the full report. The report is being published today without any deletions, and copies are available from the Vote Office. I am very grateful to the board and to the investigating team for the huge effort they have put into compiling the report. They have done a thorough and a speedy job.

The report's main findings are: the losses were incurred by unauthorised and concealed trading activities within Barings Futures Singapore; the true position was not noticed earlier because of serious failures of controls and managerial confusion within the Barings group; and the true position had not been detected prior to the collapse by the external auditors, supervisors or regulators of Barings.

The Board of Banking Supervision was not able to gain access to all the information that it would have liked. In particular, it was unable to determine Nick Leeson's motives or whether he was acting alone, because of serious difficulties in obtaining information from Singapore. The obstacles were, I understand, legal ones, and there were some problems in providing the Singapore investigators with all the information that they, in turn, sought from London.

However, it was clearly important to ensure as complete an exchange of information as possible, and I wrote twice to the Finance Minister in Singapore seeking his help in obtaining the co-operation of the authorities there. It is regrettable that serious legal obstacles remained that prevented all the relevant documents from being provided to our board.

Leeson himself was invited to co-operate with the inquiry, but he declined to do so. Through his solicitors, he has been informed of the conclusions that the board has reached about his part in the collapse. His solicitors wrote to the board on 22 June saying that the report's conclusions were inaccurate in various respects, but they did not provide any further details of his response.

The report describes how the concealment of the true nature of dealings in Singapore and the build-up of losses from unauthorised trading began almost as soon as Nick Leeson joined Barings Futures Singapore as general manager and head trader in 1992. By the end of 1993, the cumulative loss was more than £20 million and, by the end of 1994, it was more than £200 million. Losses then leaped spectacularly in the first few weeks of 1995, and, after the collapse on 26 February, the cumulative loss was a staggering £827 million.

[Mr. Kenneth Clarke]

Leeson successfully sought to conceal those huge losses throughout by a complex and systematic process of deception and false reporting. Such a massive unauthorised position could not have been established if there had been an effective system of management, financial and operating controls within Barings. The report details a great number of failings, and I shall give the House some examples.

The money required to fund the losses came primarily from London. It was advanced to Singapore with no independent check on the validity of the requests, or any attempt to reconcile them to any known trading position. If management in London had sought to examine the information from Singapore to support the requests for funds, they should have discovered that the information that they were being given was meaningless.

Barings management in London seem generally to have believed that the money being sent to Singapore was being lent to clients to facilitate their trading. However, the credit aspects of these advances were never formally reviewed or considered by the credit committee.

Barings management did not question why they were apparently lending more than £300 million to clients to trade when they had collateral of only about £31 million from clients for those trades. The management of Barings did not question the extraordinarily high levels of apparent profitability of supposed arbitrage dealings in Singapore, which were regarded as being without risk.

In the view of the Board of Banking Supervision, those profits should have been viewed as abnormal and questionable, and the extraordinary profitability reported in 1994 should have attracted the close and thorough attention of the management long before the collapse.

Despite Leeson's efforts at concealment, some information on the account that he used to hide his losses was available to London, but it was never analysed. No one in Barings accepted responsibility for Leeson's activities for the whole of 1994. His deception was made easier as he was not only a trader but was in charge of the so-called back office, which processed the paperwork associated with trading. In 1994, Barings' internal auditors recommended that, as a trader, he should not have this responsibility for the back office. Barings failed to implement that recommendation.

There were also serious and consistent failures and errors in the bank's exposure reports to the Bank of England and in other reports to the Securities and Futures Authority, which made it less likely that they would be alerted to evidence of a problem.

Coopers and Lybrand Singapore was the auditor for Barings Futures Singapore for 1994. In preparing these accounts, the auditor expressed the view that the controls of Barings Futures Singapore were satisfactory. This conclusion is not easy to reconcile with the lack of segregation of duties within the Singapore subsidiary which I have just described.

For both 1993 and 1994, the auditor of the London operations was Coopers and Lybrand London. The report also raises doubts over the effectiveness of its testing of Barings' internal controls. The board considers that more thorough tests would have been likely to reveal the inadequate support for the funding requests from Singapore, but the 1994 audit had not been fully completed, and it will never be known whether Coopers would have raised with the management the important issues which had apparently not been identified or addressed by the time of the collapse.

The independent members of the Board of Banking Supervision were separately asked by me to review the role of the United Kingdom regulators, particularly the Bank of England, in the events leading to the collapse. The board was assisted in this inquiry by a team of accountants, lawyers and derivatives experts, all drawn from outside the Bank of England.

The board does not consider that the events leading up to the collapse point to the need for any fundamental change to the framework of regulation in the United Kingdom; but there is, it concludes, a need for improvements in the implementation of existing arrangements. [*Laughter.*] The arrangements are only as good as the people who carry them out.

The board considers that the Bank of England reasonably placed reliance on local regulators of the overseas operations, and was also entitled to place reliance on the explanations of the management for the profitability of these operations, and on the other information provided by Barings. Although the regulatory reports from Barings to regulators did contain information that was relevant to the collapse, they did not contain material information which could have alerted the regulators to the existence of the unauthorised positions that had been taken.

The board identified a number of shortcomings in implementation by the Bank of England. It considers that an error of judgment was made in 1993, in giving Barings Brothers and Company an "informal concession" in relation to the normal obligation of a bank to notify in advance exposures representing more than 25 per cent. of its capital base. The time taken by the Bank of England to address the policy issues involved resulted in what the board judged to be an unacceptable delay of almost two years in reimposing the 25 per cent. limit. The Board of Banking Supervision was unable to determine whether the delay on the part of the Bank of England in imposing that limit was a contributing factor in Barings' collapse.

The board also considers that the Bank of England displayed a lack of rigour in the analysis leading to the decision to permit Barings Securities Ltd. and Barings Brothers to be supervised on a joint, or so-called solo consolidation, basis, and in failing to review the decision. Solo consolidation of the two companies need not have resulted in a reduction in control over the advance of funds to the Singapore subsidiary, but in the case of Barings that was the practical effect.

The report draws lessons for the management of banks such as Barings, and for regulators and auditors. The Bank of England has accepted all the recommendations relevant to it, and I am placing copies of the Bank's detailed response in the Library of the House. The only other regulator for which the Board of Banking Supervision draws lessons is the Securities and Futures Authority, which will respond once it has studied the report.

The collapse of the Barings group was clearly a very serious matter, and caused great damage to the reputation of the City of London. It has led to loss for a number of investors in Barings. However, the takeover by ING has stabilised the group, and averted the prospect of far greater loss. Nothing has happened since my earlier

statement, and there is nothing in the report, to make me doubt my view that it would have been wrong to use public funds to rescue Barings.

Finally, I should like to remind the House of an important point. No regulatory system can provide a 100 per cent. guarantee against a bank failure, especially where there is a deliberate intention on the part of individual traders to conceal or deceive, combined with inadequate management controls. In cases such as this, it is important that lessons are learned quickly and promulgated widely, so that all parties, including the management of other financial institutions, can learn from the unfortunate example.

The speed and openness of the process of inquiry is the best way to give confidence to the public and to the City. The Bank of England has already responded positively to the report. It is essential that the management of all financial firms do the same.

Mr. Gordon Brown (Dunfermline, East): We now know from today's 350-page report that the entire capital of Britain's oldest merchant bank was transferred out of the country against the law, without any supervisor or regulator either noticing or finding out.

We now know also from the exposure in the pages of the report that, along the line, Barings' managers, directors, accountants and regulators were also subject to error. We now know also—an astonishing admission from the Bank of England in the report—that there were no guidelines or systems in place to deal with the problem.

Does not the 350-page report reveal not just the blame that must attach to Mr. Leeson, who gambled away a bank and who awaits trial in Singapore, but the fact that the system of regulation designed to detect and check irregularities is now also on trial? Is it really sufficient for the Chancellor, in a statement virtually devoid of significant recommendations for policy change, to tell us that all that is needed is a new memorandum of understanding with the Securities and Futures Authority and a better understanding by the Bank of England of non-banking business and the management structure of banks—all of which we should have expected to have been automatically in place years ago? We have had a statement from the Chancellor that suggests the need rather than answers the case for reform.

Given that the report has discovered not just serious failures of controls and managerial confusion in Barings, but that warnings were ignored from 1992 onwards, why were such failings not identified or dealt with by the regulatory authorities in advance of the collapse? There is no answer to that in the report we have.

Will action be taken against the management of Barings under the Banking Act? Do we have an assurance that they will not be allowed to take senior management positions in other banks, except under the most stringent controls? Will the Chancellor join me in criticising those officials still in post whose management has left pensioners without their savings, and who have disgracefully insisted on taking their share of £95 million in bonuses? That will cause considerable public anger.

What does the Chancellor have to say in response to Mr. Andrew Crockett of the Bank for International Settlements, who warned in January of the risks arising from banks increasingly using the derivatives trade to generate their biggest profits, and with Barings, as the report says, making its system of remuneration for senior executives throughout the bank heavily dependent on profits generated from derivatives? Was not the system itself inherently unstable? Will the Chancellor tell us why no requirements have yet been imposed on other banks to ensure the existence of adequate and greater controls to detect excessive exposure on a daily basis?

As for the role of the Bank of England, is it really right for a junior official in the Bank to carry the can? The report reveals that just about everyone in the know in Singapore, including many newspapers—and, indeed, many in London—was aware of the problems of Barings; but not, it seems, the Bank of England, which should have been the first to know, but apparently was the last to be told.

Is it not clear that the report has provided a damning indictment of the Bank of England's whole approach to the supervision of the banking system? On page 244, the Bank admits that it relied on an informal network of understanding, and made informal concessions—as the Chancellor said—to a management that it now concedes were shambolic. It was thought reasonable to rely on local regulators—regulators who have refused to co-operate in the investigation.

A statement on page 245 symbolises the whole problem:

"There does not appear to have been any guideline or system in place within the Bank for determining . . . the situation".

Does that not illustrate everything that is wrong with the Bank's approach—an excessive reliance on the old boys network—and does it not demonstrate the need for tougher regulatory controls?

Can the Chancellor really be satisfied with a concluding statement in the report that says only:

"the Bank should explore ways of increasing its understanding of the non-banking business"?

Why is it only now that the Bank proposes to co-operate with the SFA in a better way, and why does it propose only at this stage

"to prepare internal guidelines to assist its staff"?

Is it not symptomatic of the whole culture of complacency that the Governor said only last August that there was no need to worry about the derivatives market, because

"We now have an expert team monitoring derivatives",

getting better all the time? Was it not also over-complacent to dismiss the Americans as "over-excited" by the need for regulation, and to say of derivatives traders such as Barings:

"These people know what they are doing, whether it's at director level or the chaps on the desk"?

These failures reflect not just incompetence, but a flawed structure of regulation. Is it not time to listen to the advice that has come from within London, from the Bank for International Settlements, to learn from the experience of the Securities and Exchange Commission, and to ensure that the regulatory system, nationally and internationally, matches the realities of global trading in the 1990s?

Will the Chancellor now set up a review to consider these matters, and also to consider whether the Bank of England should continue in its regulatory role, or should pass it to a new banking commission? After three significant and embarrassing failures—Johnson Matthey, the Bank of Credit and Commerce International and now Barings—we must do far more than the Chancellor has

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announced today to ensure effective supervision, and, for savers and investors, to ensure that there is far greater confidence in the integrity of our financial system.

Mr. Clarke: Like everyone else, the hon. Gentleman will no doubt study the report and reach sensible conclusions in the end.

First, let me deal with the Government's role. When Barings collapsed, the Government first took a full part in attempts to sort out the affair that led to ING taking over the bank, and to early fears of substantial losses being minimised. We were not panicked into using public funds to bail out the bank. I then immediately asked the Board of Banking Supervision to exercise its proper function and inquire into the matter, so that the House and the public would know the facts of the case and the lessons to be learned as quickly as possible. We were criticised for acting in that way, but the board has produced a copious report.

As the hon. Gentleman conceded, the report pulls no punches. It describes the facts in considerable detail, and it requires considerable study. Hours of reading are needed to catch up with precisely what went on in Singapore and London, in the bank and elsewhere. The report spares no one from criticism; it has exposed the failures, as far as is possible at this stage, for anyone to read.

The strictures that the hon. Gentleman heaped on Barings management are somewhat understated, compared with those in the report. So far as I am aware, all those responsible in Barings management are no longer with Barings, having left that bank as a result of action taken by the new owners and Barings. Similarly, the man most responsible for the supervision of Barings inside the Bank of England has resigned from that Bank. The attempt to get behind that and to ignore, perhaps, at this stage, on inadequate study, the report's findings on how carefully the trading in London was concealed, and how completely the failure of control inside Barings was concealed, is a mistake.

Having obtained the facts for the House and the lessons to be learned, I now commend the report to the House for study, no doubt, for debate, or for whatever else we wish to do in due course when people wish to consider this matter properly. Meanwhile, open inquiry, full disclosure and a hard-hitting, independent report are the best way of restoring confidence in the Bank of England.

Certainly we need to improve collaboration between supervisors in different countries, a process that has been well advanced by the Basle committee, but this underlines the need to take it further. It is not true that the Singapore authorities flatly refused to co-operate; there was proper reason. The Monetary Authority of Singapore and the Singapore Monetary Exchange are well-regulated bodies, and the reputation of Singapore and the City of London is high in the international arena.

On both sides of this divide, there are legal constraints imposed by the regulatory authorities on the disclosure of information, and that is the only thing that has stood in the way of the full information that will no doubt emerge in due course, when the entire Singapore and London picture is revealed.

There are failings inside the Bank, which is why 17 recommendations are addressed to the Bank and why it has accepted those recommendations and is addressing them, but, with the greatest respect, if one has a regulatory system that the board says is fundamentally right as a framework, it is fully effective only if the efficiency of the people operating it is as good as the ingenuity of the people who are trying to conceal information.

Frankly, just renaming the whole thing and having a new banking commission in a spirit of, "Something must be done, so let's move a lot of brass plates about and have the same people doing the regulating, but call them a different name and put them in a different institution," is a facile response to such a serious matter.

The hon. Member for Dunfermline, East (Mr. Brown) leaps off into the general question of derivatives, which is an important and serious matter. The report makes it clear that the cause of the collapse in this case was not the nature of the derivatives markets, although it is true that derivatives, because of their gearing, enable big positions to be run up more quickly than could occur in the ordinary futures market.

In that market, and in any international trading of this type, if people are skilful enough in their systematic concealing of the true nature of dealing, and if the people responsible for them, in the bank or outside, are complacent enough not seriously to get beneath it, this sort of thing occurs.

Mr. Gordon Brown: Complacent.

Mr. Clarke: The hon. Gentleman says, "Complacent." That is the criticism in the real world that could be hurled at many of the senior people in Barings and in the Bank of England.

Mr. Brown: Hindsight.

Mr. Clarke: It is all very well having hindsight. I have hindsight. The board has hindsight. I compete with the hon. Gentleman in imposing strictures on all those people who have lost their jobs. Any hon. Member putting himself in their position realises that it never crossed their minds that they might be playing some small part in such a huge and systematic process.

Obviously, however, it is clear that the systems inside financial institutions and inside the Bank of England had to be tightened up to ensure that absolutely no complacency or anything else could allow this sort of thing to slip through in future. That action has been taken because of the prompt, open and effective action of this country's Government in discharging their obligations to the House.

Mr. Tristan Garel-Jones (Watford): Is my right hon. and learned Friend aware that, during his statement, he mentioned the name of my constituent, Mr. Nick Leeson, on about a dozen occasions? Does it not strike my right hon. and learned Friend as odd, to say the very least, as it certainly does both Mr. Leeson's family and most of my constituents, that Mr. Leeson, who is clearly a central figure in this matter, should be sitting in a prison in a member state of the European Union, awaiting extradition to Singapore, when he has made it clear that he is anxious to make a clean breast of this matter in his own country?

Does it not strike my right hon. and learned Friend as surprising, in relation to what I think is a good report that will help to re-establish confidence in the City, that someone who has such a contribution to make should not have been invited to return to this country to make a clean

breast of his position, and therefore to enhance the sort of inquiries that my right hon. and learned Friend wishes to pursue?

Mr. Clarke: I appreciate the fact that my right hon. Friend is speaking on behalf of the legitimate interests of his constituent, which is what he and I are elected to the House to do. However, it is not possible to produce a board report that does not make copious references to Mr. Leeson, given that he was personally responsible for the trading and settlement of transactions that ran up a total of £827 million in losses and broke the bank where he was employed.

When it came to publication, I carefully considered Mr. Leeson's position and the public interest. Mr. Leeson must be dealt with by due process of law on whatever charges may be brought against him in whatever jurisdiction, but it seemed to me that the overriding public interest was to restore confidence in the City of London and our regulatory authorities, and to meet the Government's obligations to the House and let the House know as much as we knew, so that it can in due course reach a considered conclusion.

As for Mr. Leeson's possible trials, he was a resident of Singapore, and therefore made himself subject to the laws and jurisdiction of Singapore. If he goes back to Singapore, he will no doubt have a fair trial—[HON. MEMBERS: "Oh."] I am sorry that half the Labour party still thinks that mention of foreigners means that there is no justice to be had. We are dealing with trading in Singapore. I have no doubt that, when considering extradition, the German authorities will consider the nature of the charges against Mr. Leeson, the prospects of a trial there, and, quite properly, German extradition law and whether he should be extradited.

The question whether Mr. Leeson faces charges in this country is a matter for the prosecuting authorities and the Serious Fraud Office, not for Ministers. It is hardly surprising that proceedings are going ahead in Germany, and the British Government can play no part in determining whether Mr. Leeson is extradited from Germany. We cannot repeat the sneers of the Opposition, who seem to think that one should not extradite Brits to foreign countries even when they seem to have been engaged in unauthorised trading activities in Singapore and the concealment of those activities, which resulted in considerable loss for other people.

Mr. Nick Harvey (North Devon): The report and the Chancellor's statement are scathing about the Barings management, but what lessons are the regulatory authorities going to learn? If there is be no fundamental change, despite what the Chancellor sees as the Bank of England's lack of rigour, can we at least be reassured that there is to be new vigilance with regard to the same people running the front and back office or new restrictions on individuals' trading positions?

What comfort is there in the statement for small investors who believed that they were investing safely in the Queen's bank? Will the Chancellor press the new owners and the banking sector to compensate them, at least in part?

Mr. Clarke: The House can in due course debate the regulatory system, but the board, which put an enormous amount of work into studying the matter, concluded that the framework of regulation is not the problem.

May I make a very loose analogy, of which I hope people will not make too light a use? In a system of law—for example, criminal law, to enter another sphere—if a policeman makes mistakes, it does not mean that the criminal law is defective and should be changed by Parliament. What is important in that instance is that the police take on board the lessons and ensure that those who work for them investigate properly and do not allow things to pass them by which should not have passed them by. That is a rough analogy with what we are facing now.

As for the hon. Gentleman's two specific points, separation between front of house and back of house, between trading and settlements, is, as I understand it, absolutely fundamental to the proper financial control of any action of this kind. I know of no one in the City of London who does not take it as elementary that there should be a separation of responsibilities between the front of house and the back of house.

That is a serious criticism of Barings in the report, but no one out there in any financial house has any grounds to believe that a new rule is required. Anyone should be caught up by his management and regulator if it is discovered that there is no proper separation. Mr. Leeson was in charge of the entire Singapore arrangement—trading and settlements—in Barings Futures Singapore.

I cannot remember the last point that the hon. Gentleman mentioned.

Mr. Harvey: Compensation.

Mr. Clarke: As far as compensation for people is concerned, the losses have been hugely reduced by the successful acquisition of Barings by the Dutch bank, as have those of the 4,000 employees of Barings, most of whom were trading successfully in a good bank and had nothing whatever to do with these operations in Singapore. If one takes a stake in the capital of a company and something goes wrong with the capital and the company goes down, it does not seem obvious to me that one can instantly look for compensation elsewhere.

Several hon. Members *rose—*

Madam Speaker: Order. Many hon. Members are seeking to be called, and I must ask for the co-operation of the House. I would like brisk questions, a single question from each Member, and I must ask the Chancellor for brisk answers.

Sir Peter Tapsell (East Lindsey): Has the attention of my right hon. and learned Friend been drawn to figures published by the Bank for International Settlements which estimates that the worldwide market in derivatives grew from $1 trillion in 1986 to $45 trillion by the end of 1994; a more than fortyfold increase in eight years, to which the Bank of England now plans to add by introducing a strips market in gilts; that the co-operation between national regulators of this market is wholly inadequate; and that there is actual competition between derivative markets in various parts of the world, so that they often positively refuse to pass on information to each other—for instance, between the Singapore and Osaka stock exchanges?

Is not it clear that, unless better international regulation is introduced, we will have a succession of Barings-type collapses throughout the financial markets of the western world?

Mr. Clarke: There is indeed a huge growth in derivative markets all over the world. It is part of the

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rapidly changing nature of financial markets. I have already conceded that trading in any form of derivative with the new financial instruments now emerging is more highly geared, so that positions can rapidly become more exposed than those in ordinary cash futures markets or anything of that kind.

This report again comes to the conclusion that the collapse was not caused because we were in derivative markets. The collapse was caused because a single trader, from the moment that he arrived there, started concealing what he was doing from the authorities in London, which had a complete collapse of management controls and failed to detect what he was doing. That could have happened in any kind of market.

Subject to that, I agree with my hon. Friend about the importance of much closer collaboration between the supervising authorities in different countries. That becomes ever more important as we see these markets explode at the rate that they are doing, and I am sure that the Bank of England is in the forefront of those who want to extend the present Basle arrangements wider and wider across the globe, especially into the Asian markets which he describes.

Mr. Robert Sheldon (Ashton-under-Lyne): Does the Chancellor of the Exchequer realise that we have been in this position before? This is not the first occasion that we have investigated in this House. There have been other cases, and the same kind of complacency seems to go on from inquiry to inquiry. Does he not understand that the Bank of England's role in supervision is seriously flawed? It has good friends, it relies on the friendships that it has acquired, and that is not good enough.

The regulations we require demand a certain amount of scepticism. That is not the province of the Bank. The Bank does not behave in such a way. What we really need is a proper regulator, and the Chancellor should turn his attention to that.

Mr. Clarke: I do not think that the Bingham report can be described as complacent. Indeed, this Board of Banking Supervision report cannot be described as complacent. It is no good coming along with set attitudes before the report has even been presented and saying that is complacent or a whitewash, or anything like that. It is an extremely hard-hitting report, with positive recommendations, which have to be acted on by the Bank and by any financial institution. It is no good putting up stereotypes of the old boys network being relied on. This report gives no credulity at all to that kind of broad-brush allegation.

What happened was that the responsible people in the Bank, and one under the responsibility of the man who has now gone, gave an informal concession to the 25 per cent. limit, which was then allowed to run for two years before they were told that no such concession should be allowed. For that and other reasons, there are 17 recommendations addressed to the Bank, and they should be answered and acted on by the Bank, as they are going to be.

It is scratching about and trying to find something new to state, "Never mind the recommendations, we now want a brand new institution to be set up." A brand new institution would probably have exactly the same people working in it as those who work in the Bank of England. It would have to start from scratch, carrying out the recommendations of the Board of Banking Supervision.

Mr. David Shaw (Dover): Can my right hon. and learned Friend assure the House that this speedy report will result in action? We all welcome the fact that the report has been obtained efficiently and effectively. Can my right hon. and learned Friend, however, assure the House that the action that will result will be that a proper financial review will take place of the financial controls in every bank operating outside London, in respect of their derivatives, futures and options operations? It is clear that the way in which the Bank of England went about its regulation was totally inadequate, and that it did not have proper reporting systems set up in this regard.

Mr. Clarke: I very much trust that such a review is taking place in every financial institution that has been remotely involved in the derivatives market or has significant exposures of any kind. One aftermath of Barings in practice is undoubtedly that every similar institution throughout the globe is trying to ensure that its system protects it against any rogue trader exposing it to such enormous sums that the bank can be brought down or anything like it.

I trust that every institution will have in place the internal financial controls to ensure that no single trader is reporting as profit transactions that are actually losses which he is hiding away in some undisclosed account. That is what Mr. Leeson was doing in Singapore, among other things, to try to conceal and to limit his exposure in the trades in which he was taking part.

I agree with my hon. Friend. The difference is that it is no good pretending that the Government can review the internal auditing procedures of every bank in London. There is no way in which, as the board concedes, the Bank of England can go over every internal audit inside London. We all know that catastrophic errors were made in this case. All institutions, not just Barings and its new owners, the Bank of England and all other regulators, should now be reading the report and taking action, as my hon. Friend rightly demands, on its recommendations.

Mr. Giles Radice (Durham, North): As the Chancellor's statement has made clear, the report on the Barings crash reveals massive failures by auditors, by supervisors and by regulators. What action does the Chancellor propose should be taken?

Mr. Clarke: The action I have taken is that, within five or six months, from February to July, I have had produced an extremely comprehensive report setting out all the facts and presenting lengthy recommendations about the steps that should be taken by the Bank of England and by others to ensure that the best protection possible is given against such problems in future.

If I had heeded half the requests that were put to me in the aftermath of Barings, when everyone was trying to be wise after the event and everyone wanted some great new judicial study to be set up, we would not have got what we have now, which is a concrete report of great length and thoroughness, which sets out recommendations that now have to be acted on. That is the responsibility of Government and that is why I am accountable to the House for the way in which we do that. I advise the hon. Gentleman now to study the report and to follow it up, if

he wishes. He may wish to ensure that the supervisory authorities are taking action as they committed themselves to do in the light of this disaster.

Mrs. Teresa Gorman (Billericay): Given, as my right hon. and learned Friend has said, that there was a massive failure of supervision in this country of Mr. Leeson's activities, and given that he is a British subject working for a British bank and investing largely British funds, is it not appropriate at least to consider extraditing him back to this country, where the whole story can come out? Mr. Leeson has offered to co-operate with the Serious Fraud Office. Would that not be better than having him hung out to dry while people in this country are able to walk away from their basic responsibility for this whole business?

Mr. Clarke: It is not like that. The question of prosecuting is not for Ministers, but for prosecuting authorities. Whether anybody is charged with an offence in this country, or whether anybody's extradition to this country is sought, is not a matter in which the Chancellor of the Exchequer of any Government should properly take a role. To do so would be simply to set aside the rule of law.

As I have said of Mr. Leeson, he went to take charge of his bank's operations in Singapore, operating on the highly sophisticated market of the Singapore Monetary Exchange, subject to the controls of that exchange and of the Monetary Authority of Singapore. If one goes to live and work in Singapore, one accepts the jurisdiction of Singapore and the laws of Singapore. If one leaves Singapore afterwards, one is entitled to challenge any request for extradition to Singapore which the Singapore authorities make.

Those are matters for the Singapore and German courts, not for the British Government. It would be a bizarre policy stance for the British Government to say that we wanted our prosecuting authorities to bring charges that they are not at the moment minded to bring, in order to rescue somebody from extradition proceedings that he faces in Germany to send him back to Singapore to face charges. That is nothing to do with me; I have neither good will nor ill will towards Mr. Leeson. It is up to him and his lawyers to handle their current problem, which is the extradition proceedings in Germany.

Mr. Brian Sedgemore (Hackney, South and Shoreditch): Is the Chancellor aware that, when the Governor of the Bank of England gave evidence to the Treasury and Civil Service Select Committee, he said that to transfer more than 100 per cent. of the share capital of Barings bank to Singapore without the permission of the Bank of England was a criminal offence, and that such permission had not been given in that case? Does that mean that criminal proceedings will take place against Barings bank, or is the Chancellor saying that some informal non-legally binding concession constitutes a bar to legal action?

Mr. Clarke: The question of criminal charges is not a matter for me—nor, in my opinion, should it be up to a Minister of the Crown to decide whether any individual should be prosecuted for such things. No doubt the Governor of the Bank of England gave the reply that the hon. Gentleman mentioned, because normally there is a 25 per cent. limit on exposure compared with the capital value of a bank, and in certain circumstances there could be a criminal offence.

It is not a matter for me, but it would appear that, on that occasion, an informal concession had been given by the responsible official in the Bank of England without referring the matter up to anything like the level of the Governor. It is for the Serious Fraud Office to decide whether an informal concession stands in the way of any prosecution. The whole point of the board's report is to bring such matters out, and it is now for the responsible authorities to take action or not to take action, depending on the evidence that we now have, or on any evidence to which they have access, in support of what the board reports.

Mr. Mark Wolfson (Sevenoaks): I have listened carefully to what the Chancellor has said about Mr. Leeson's position, but it seems to me astonishing and unsatisfactory that the investigation took place here in the City of London without Mr. Leeson's being involved face to face. In the light of the extreme incompetence demonstrated by Barings management, I hope that, whatever may happen to Mr. Leeson afterwards, it is not too late to bring him back to undergo an investigation.

Mr. Clarke: No one here has the powers to extradite somebody from another country to give evidence to such a board of inquiry. Mr. Leeson was invited to co-operate with the inquiry, and people would have been sent to interview him had he been willing. But he declined to co-operate, and all we received was a bland questioning of the accuracy of the report, by his solicitors.

Even if Mr. Leeson wished to come to this country, he is inconvenienced at the moment by the fact that he is in a German gaol facing German extradition proceedings. It is more than likely that, if he came to this country, he would face extradition proceedings here too, because no doubt the Singapore authorities would seek to extradite him from this country. Those are not matters for me—nor, with the greatest respect, are they matters for the House. They are matters for the prosecuting and legal authorities in the various countries involved.

Mr. Dennis Skinner (Bolsover): Has it ever crossed the Chancellor's mind that, in the whole series of crashes in the financial world that have extended over many years—in fact, throughout the 16 years that the Tory Government have been in power—[AN HON. MEMBER: "And Maxwell."] Yes, that as well—and Johnson Matthey. When each crash happened, we were told that things would be put right, that the Bank of England would deal with things, and that people would be put in place to watch over what happened.

But since then, there has been not only the Bank of Credit and Commerce International but a whole catalogue of others. Many of the people on the Treasury Bench come from the belly of the banking establishment, and they are always spouting, "Don't let Labour in, they'll lose your money." Yet this is a Government who in 1992 lost £10 billion in an afternoon, and never went near a betting shop.

I have some advice for the Chancellor of the Exchequer. Instead of talking about investing in derivatives, why do the Government not resign and let the British people invest in the future instead?

Mr. Clarke: I can recall three such collapses in a number of years. The City of London is the major

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international centre for financial dealings across the exchanges, and it has an extremely good reputation for regulation. That reputation is reinforced by the promptness with which we produce inquiries of this kind with a full disclosure of the facts, and also by the fact that we are seen to be taking action in the light of those inquiries.

I said at the end of my statement that it is impossible to devise any system which gives a total guarantee that nobody will ever successfully beat the system. Our system is as good as anywhere in the world, and it must be—as far as we can create it—the best in the world to keep up the reputation of the City of London. The Government have never been charged with direct responsibility for supervising banking. Even the hon. Member for Dunfermline, East (Mr. Brown) is not suggesting that the Treasury or the Government should take control. The attempt by the hon. Member for Bolsover (Mr. Skinner) to make party political points is completely pointless.

Just to show how people can be deceived—we all remember the case of Robert Maxwell, which my hon. Friend the Member for Dover (Mr. Shaw) helpfully recalled. I remember that Mr. Maxwell was the hero of the hour at the Trades Union Congress that I attended, and he practically owned the Labour party. Everybody at the time said that they had doubts about Mr. Maxwell's financial propriety, but they took the money, went to the parties and were patronised by Mr. Maxwell. So we do not want the Labour establishment coming here to tell us that we are deficient in regulating the City of London.

Mr. Quentin Davies (Stamford and Spalding): Does my right hon. and learned Friend agree that the very fact that we have this public report stands in fine contrast to the practices in other jurisdictions? For example, as far I know, the French authorities have still not produced a public report on the appalling shambles at Crédit Lyonnais.

Since the report exposes the most monumental record of management incompetence and failure, does my right hon. and learned Friend agree that it is extremely important for the integrity and international reputation of the City that those involved in that management negligence are not allowed in future to occupy positions of responsibility in financial institutions?

Mr. Clarke: I am grateful to my hon. Friend, and I am sure that he is right. There are other authorities in the world that might be capable of producing as full and frank a response to a problem of this kind as we have done, but there are not very many. There are quite a lot of authorities that would never do it, and quite a lot that—I hope—will learn from our report and our openness. That openness and rapidity of response and reaction is the best reassurance for people who are looking for prudent management and the safety of their funds in the City of London.

As far as I am aware, all the significant people in the management of Barings who were named in the report are no longer with Barings, and the person responsible in the Bank of England is no longer there. Should any of them seek to re-enter the financial services market, they will have an opportunity to do so, but they will have to satisfy the regulators about the propriety of their return.

Ms Diane Abbott (Hackney, North and Stoke Newington): Does the Chancellor accept that the idea that Leeson acted completely on his own—the so-called rogue trader theory—is increasingly less credible? Has he read the sentence in the conclusions of the report which says:

"Moreover, we cannot rule out the possibility that Leeson may have been acting in concert with one or more persons"?

Mr. Clarke: I made reference to that comment in the report in my statement, and I accept that. It is clear that Leeson traded in an unauthorised and concealed way. He opened—very rapidly after he arrived—account No. 88888, which was concealed from the management in London, although references to it might have been picked up later in London. He hid losses in that account to make his transactions appear profitable when they were making a loss. When he was finally pressed on the margins and could not find finance, Leeson created apparent financial obligations that were not there, and I recommend that the hon. Lady see what he did.

If we get all the details and papers from Singapore—these may well emerge in due course, when the Singapore authorities have completed their processes—we may be able to rule out the possibility that others were involved. But it is not possible to get away from the fact at the heart of the matter, that this man was in charge of trading and settlements. For reasons at the moment best known to himself, he was not disclosing—indeed, he was systematically concealing—the true nature of that trading to all those in the Barings group in London.

Mr. Nigel Forman (Carshalton and Wallington): As it appears from everything that my right hon. and learned Friend has said this afternoon that none of the dramatis personae—whether traders, managers, regulators, supervisors or auditors—comes particularly well out of this story, and as few of us have yet had a chance to read this long and important report, will my right hon. and learned Friend at least keep an open mind on the important political point that it may be necessary to take subsequent action on mature consideration once he and his colleagues have had a chance to look further at all the implications? He should not close off that possibility yet.

Mr. Clarke: I shall certainly heed my hon. Friend's wise advice. I think that he is correct. I have published this report at the earliest possible moment, which I appreciate is on the eve of the parliamentary recess. To have held it back until after the recess would have caused unreasonable delay.

My main concern is to re-establish the reputation of the City of London and ensure that every possible lesson is learned from this collapse. We can all read the report properly, and there is plenty of time for more mature consideration. Many people with expertise on the subject, both inside the House and outside, will no doubt come forward with proposals for more precautions against such events happening again.

The Government will keep an open mind and are open to sensible suggestions. What I am rebutting today is off-the-cuff bright ideas that are not in the report. The report makes a full disclosure and many recommendations, and hon. Members should now consider it seriously and decide whether they have a substantial contribution to make on further protection.

Mr. Denis MacShane (Rotherham): The Chancellor has used parliamentary privilege to find Nick Leeson

guilty, and now wants him sent back to Changi gaol to disappear for ever. That is odd behaviour for a lawyer, given that Ministers can instruct prosecuting authorities on extradition matters.

On the main point of public policy, the Chancellor has displayed extraordinary complacency, and the Bank of England has issued a press release saying that nothing fundamental needs to be changed. How soon will it be before people with investments through PEPs or pension funds that are traded overseas have a regulatory body independent of the Bank of England to oversee how banks in this country handle those investments? Leaving it with the Bank of England ensures that, in future, our money will be as unsafe as the Bank of England. The Chancellor should heed the recommendation of my hon. Friend the shadow Chancellor in that regard.

Mr. Clarke: I have said all that I need to say about the legal position. These matters must be settled by due process of law, which is a matter for neither the Government nor this House. Nor can it be resolved by emotional references to overseas jurisdictions, as though courts outside this country are necessarily inferior to those in this country, and therefore British subjects should not appear before them. Hon. Members should make a more objective judgment than that.

On the hon. Gentleman's criticism of the Bank of England, of course the Bank must act as it said it would act on each of the 17 recommendations addressed to it. But it is simplistic politics to say that we should take those matters away from the Bank of England and set up a new banking commission, which presumably will operate the same Banking Act within the same framework, as though one had taken determined action that would improve matters.

We have a good system of regulation in the City of London. The Bank of England is a highly acclaimed regulator, and, when mistakes are made, it is for the Bank of England in the first place to act on them. The independent board charged with the purpose has recommended that there is no immediate need to change the Banking Act which this House has put in place.

Sir Anthony Grant (Cambridgeshire, South-West): What explanation did the inquiry obtain from Barings senior management about why the extraordinary situation prevailed whereby Leeson was both trader and back office settlement manager? As that most unusual and improper position was apparently known for some time, not only to senior Barings management but to other people, why did not the Bank of England know about it?

Mr. Clarke: First, the internal audit of Barings disclosed that matter in 1994. It must be said, in response to my hon. Friend's incredulity that this should continue, that there is no doubt that Barings failed to take any steps in the light of that.

Although the Bank of England cannot check every internal audit in a bank—that would not be physically possible—nevertheless the report sets out a number of warning signs that should have been heeded. The key matter is whether the Bank should have acted more quickly on the informal concession, apparently given temporarily, on the 25 per cent. limit. The board was unable to come to a conclusion as to whether, had something been done in less than two years on that informal concession, all the problems, including the failure to separate front of house from back of house, might not have to come to light.

Mr. Peter Hain (Neath): Can we be clear that the Chancellor is asking us to accept the following proposition: that a cunning rogue trader hoodwinks the entire management of one of the oldest banks in the country; then lifts two fingers at all the regulatory controls; and then cons the supervising authorities of the Bank of England? Is the right hon. and learned Gentleman really saying that no policy reforms, not even the tiniest, are necessary to prevent that sort of thing from happening again?

Mr. Clarke: The regulators regulate a bank, acting on the information they receive from senior management and the best information that they can get from that bank. They make proper inquiry, as they should, but the Bank of England cannot be expected to have access to gossip, rumour and details of transactions in all the subsidiaries of that bank.

Mr. Hain: It is amazing.

Mr. Clarke: The hon. Gentleman shakes his head and says that it is amazing. I recommend him to read the report. It is amazing that Mr. Leeson in Singapore opened the account in 1992; and that in early 1995 he had lost more than £800 million, yet the management in London had still not detected that he was trading in an unauthorised way on such a scale.

Mr. Skinner: Do you believe it?

Mr. Clarke: The hon. Member for Bolsover (Mr. Skinner) is straying slightly out of order.

Madam Speaker: Order. The hon. Member for Bolsover (Mr. Skinner) has had his question.

Mr. Clarke: The hon. Member for Bolsover asks me, do I believe it? I accept that the report offers a description of the total collapse of management control. I do not see what motive people in Barings in London could have had for ignoring information they had and allowing their bank to collapse, and them to lose their jobs. The fact is that it is incredible that no system of financial control should exist in such a bank.

Mr. Anthony Coombs (Wyre Forest): Is not one of the principal lessons of this abysmal episode that the Bank of England seems to have significantly underestimated the effect of the huge increase in derivatives trading, which was mentioned earlier, upon the profitability and viability of banks? That effect was compounded in this instance by the informal concession, which seems to have lain unnoticed for two years. What assurances can the Chancellor give us that such informal concessions will no longer be made by anybody from the Bank of England? What can he say about the extent of derivatives trading and possible control of it?

Mr. Clarke: On the key matter of derivatives trading, the collapse of Barings was not caused because the trading was in derivatives. I think everybody would concede that the rapid and remarkable build-up of the exposure between January of this year and the end of February was no doubt partly because derivatives were being used. I believe that 61,000 separate trades were entered into, all

[Mr. Clarke]

apparently on the assumption that the collapse in the Japanese market following the Kobe earthquake was about to be reversed. Quite a lot of the bank's money was staked on that assumption.

The kind of unauthorised trading entered into, and lack of financial and management control, meant that the bank could get into difficulties regardless of derivatives. Derivatives deserve serious examination, but the collapse of Barings does not offer a case against all derivatives. Derivatives exist in considerable part to protect against risk. The bank in London did not realise that the derivatives were exposed, high-risk positions. Because of its lack of control, it believed that the trade was almost risk-free, arbitrage business, taking advantage of differences in price which could occur for the same commodity in Osaka and in Singapore.

The report again amazes the ordinary reader, because no one questioned how such enormous and risk-free profitability had somehow been discovered by one trader in Singapore. That failure underlines the fact that one must have in place not only elementary financial controls in banks, but strict and rigorous controls of credit and risk, and a proper line of management responsibility. Those are necessary in modern financial markets, because huge exposures can be run up rapidly if some bank tries to proceed without such controls and management in place.

Mr. Keith Vaz (Leicester, East): The Chancellor acknowledged that the criticism of the Bank of England contained in the report is even more savage than the criticism contained in the Bingham report. Will he tell the House what is so special about Mr. Eddie George that he is able to survive such harsh criticism, relating to the past three years, and will he tell the House how many of the 17 recommendations made by the report are broadly similar to the recommendations made by Lord Justice Bingham?

Mr. Clarke: I did not describe the criticism as savage. There are 17 recommendations, but they do not go to the regulatory structure of the Bank of England, and they do not go to the management controls of the Bank of England. They go to the way in which the responsible people carried out their obligations, including what appears to be a straightforward lapse of giving that informal concession and, two years later, readdressing themselves to the problem and saying that no further concession could be given. The report is not as damning of the Bank of England as it is of Barings, but it is important that the Bank acts on the 17 recommendations.

On the last point, I have not compared the recommendations in the Bingham report with the precise recommendations in the Board of Banking Supervision's report, but I do not believe that they are the same. At no point does the board's report say that the Bank failed to act on things on which it had been told to act after the Bingham inquiry.

Mr. Alistair Darling (Edinburgh, Central): Is it not significant that the report had to conclude that the Bank of England should find ways of increasing its understanding of non-banking business for which it is responsible, such as financial services business and derivatives? It also concludes, at paragraph 13.61:

"There does not appear to have been any guideline or system in place within the Bank for determining whether the situation . . . was . . . such that it could affect the well-being of the bank."

Is that not the ultimate indictment on a central bank, when there are such fundamental failures?

Does not the Chancellor understand that there is a clear public interest in ensuring the integrity of the supervisory system of this country, not only with the Bank of England, but with the Securities and Futures Authority, and that he simply cannot brush off that whole affair as mainly the activities of one rogue trader, or rely on 17 weak recommendations which only touch on the fundamental problems that confront us? The sooner he realises that not only the Opposition but many Conservative Back Benchers believe that a thorough overhaul of the regulatory system is long overdue, the better it will be for this country's international reputation.

Mr. Clarke: I am not brushing off anything; indeed, I keep coming to the House, somewhat repetitively, with full descriptions of what happened at Barings; with announcements that I am setting up inquiries, and producing the results of inquiries which answer almost all the questions on the facts that could conceivably be answered before the Singapore authorities have produced their side of the arrangements; and with recommendations on which we shall act.

The question to which the hon. Gentleman specifically refers covers the position that exists in the real world, where the Bank of England is the lead supervisor for a group that contains banks and other financial services organisations. It is true that we need to keep readdressing the extent to which the necessary skills are there in the Bank when one consolidates those organisations for a regulatory purpose, and the relationships between the Bank and the Securities and Futures Authority, to ensure that those large, complex modern businesses are adequately regulated.

I repeat: we have one of the best regulatory systems in the world, and our openness and promptness in reacting to those problems help strengthen that reputation. It is nonsense to believe that the House must legislate every time and start inventing new organisations, as though that will give a 100 per cent. guarantee that, in the modern financial markets, it will never be possible for a rogue trader to lead to any problems of any kind.

Standards in Public Life

4.43 pm

The Chancellor of the Duchy of Lancaster (Mr. Roger Freeman): With permission, Madam Speaker, I should like to make a statement to the House on the Government's response to the first report of the Committee on Standards in Public Life, which is being presented to the House today as Cm 2931.

My right hon. Friend and distinguished predecessor, the right hon. Member for Wirral, West (Mr. Hunt), told the House on 18 May that the Government accepted the broad thrust of these recommendations. The response covers all the recommendations addressed to Government: 45 of 55 recommendations in all.

The Prime Minister has made it clear that he is determined to uphold the highest standards in public life. The response details the Government's plans for implementation and action in respect of all the 45 recommendations addressed to Government. It also sets out further proposals for a new civil service code, and for a new introduction to "Questions of Procedure for Ministers".

We accept the Nolan committee's recommendation that Ministers should be brought within the scope of the Advisory Committee on Business Appointments. The response emphasises the great importance of continuing interchange between business and commercial life and ministerial office. We should do nothing to deter talented people with private sector experience from entering public life, and nothing that prevents those who have completed their ministerial career from applying that experience to the benefit of British industry and commerce.

The Nolan committee strongly supported that principle, and to translate it into action, we shall draw up rules setting out specific criteria, to be administered by the Advisory Committee on Business Appointments, to establish the circumstances in which Ministers should be advised to delay a particular appointment, or make its acceptance subject to conditions.

We intend to publish a text for consultation before introducing the rules from the start of the next Session of Parliament. We intend to have a debate on that and the White Paper as a whole in the spillover session.

We shall also consult to the same timetable on an extension of business appointments rules to Ministers' special advisers.

On the registration of hospitality accepted by Ministers, our response builds on the arrangements for registration of Members' interests in the House and on the guidance already contained in "Questions of Procedure for Ministers", that Ministers should not accept hospitality that would or might appear to place them under an obligation. In the words of the Select Committee on Members' Interests,

"it is neither possible nor desirable to make a clear distinction between a Minister's conduct as a Minister and his conduct as a Member of Parliament."

We shall act quickly and positively on the Nolan committee's recommendations concerning appointments and propriety in public bodies and the national health service, building on many of the continuing initiatives that the committee endorsed. In particular, we shall appoint a new Commissioner for Public Appointments, to offer guidance, monitor and audit departmental appointment procedures. That post will be advertised in a matter of days.

We shall extend the use of advisory panels, including an independent element, to advise on appointments to executive public bodies and the national health service. That has been successfully piloted in several sectors. All Departments will introduce their own arrangements as soon as practical to allow the new commissioner to influence the procedures introduced. We believe that, at the outside, that will require no more than 12 months.

My hon. Friend the Parliamentary Secretary, Office of Public Service announced last month a review of the legal framework governing propriety and accountability in public bodies, and their arrangements for external audit. We intend to reach preliminary conclusions by the end of the year, well ahead of the timetable envisaged in the committee's report.

We have accepted the recommendations of Lord Nolan's committee that there should be opportunities under the civil service code for a civil servant to express worries about actions in which he or she is not personally involved, and for nominated officials to investigate anxieties expressed confidentially.

Our consultation period on the civil service code will now be extended to mid-September, to allow further opportunities for comment. We accept the Nolan committee's recommendation that implementation need not then await a legislative opportunity, and we intend to have the code in action before the end of the calendar year.

I am confident that the action that we have set out will show the House and the whole country our determination to take practical steps that will uphold and sustain the highest standards of propriety while ensuring that men and women of talent and experience continue to contribute to public life.

Mrs. Ann Taylor (Dewsbury): May I thank the right hon. Gentleman for his statement and welcome him to his new role as Chancellor of the Duchy of Lancaster? His statement was brief, as statements should be, but of considerable importance to the conduct of government by Ministers and by civil servants. We welcome many of the details in the White Paper that discuss the 45 recommendations for Government action in the Nolan report. We have detailed concerns about some of the proposals, and we shall pursue them in the promised debate in the autumn.

The Minister should be aware that, while we welcome many of the details, we of course recall that the review has come about only because the Prime Minister was forced to ask Lord Nolan to report because of all the Government abuses of recent years. Will the Minister acknowledge that the Nolan committee accepted many of the specific points put forward by Labour, such as the quarantine on post-ministerial appointments? We made those points despite the outright opposition of the Government, so we welcome this minor U-turn by Ministers today. Does the Chancellor of the Duchy of Lancaster stand by the evidence given by his predecessor to the Nolan committee, that there was no problem and no real case to answer?

On the Nolan committee's recommendations on quangos and the actions proposed by the Government, will the Minister confirm that the Nolan report quotes the

[Mrs. Ann Taylor]

National Audit Office figure of £52 billion as the amount of public money spent by unaccountable quangos, with little or no democratic accountability to the public? Will the Minister acknowledge that the Nolan committee's remit on the subject of quango appointments was extremely narrow and did not allow for a full examination of all aspects of quangos? Will he confirm that, while modification of the appointments system is necessary, it will not stop the growth in the quango state, which is one of the fundamental problems undermining the principle of democratic accountability?

Is the Minister aware that we welcome the recommendations on the civil service code? We believe that civil servants who want to raise serious issues should be able to do so with confidence that that will not prejudice their position. Is the right hon. Gentleman aware that, while we welcome the time scale that he has laid down for the introduction of a code, we still believe that legislation on the subject is necessary? If the Government were to press ahead with it, they would have our full co-operation.

With regard to the conduct of and procedures for Ministers, is what the Minister has announced today yet another illusion of openness? Does he realise that publishing the code does not guarantee good behaviour by Ministers and that no Government should have a free hand to mount cover-ups at will? Several of the phrases in the new code will cause concern. I am thinking of phrases such as,

"Ministers must not knowingly mislead Parliament".

We all know that sometimes Ministers choose not to know. Another such phrase is:

"withholding information only when disclosure would not be in the public interest".

It is Ministers who will determine whether that is in the public interest.

Does the Minister accept that the spirit of the Nolan report demands not just new codes of conduct, useful though they may be, but a new attitude on the part of Ministers to replace the arrogance that has become the hallmark of the Government after too long in office? The elected dictatorship must give way to an Executive with a sense of service to the people it seeks to serve.

If confidence is to be restored in our parliamentary democracy, and if the Government and the Conservatives are serious about the need for transparency, will the Chancellor of the Duchy of Lancaster consider removing the Government's veto of an early inquiry by the Nolan committee into the funding of political parties?

Mr. Freeman: I thank the hon. Lady for her kind comments on my new office, which were much appreciated.

Mr. Dennis Skinner (Bolsover): The Minister has a new suit for the job too.

Mr. Freeman: Unlike the hon. Gentleman, I normally wear a proper suit.

The Nolan report said that the great majority of men and women in public life are honest, hard-working and observe high ethical standards. The slur that some—I do not necessarily charge the hon. Lady with this—make about the standards of public life, implying that those in public life, whether Ministers' special advisers or civil servants, are dishonest, do not work hard and do not observe high ethical standards, is utterly wrong. We have probably the best civil service in the world. I was brought up to believe what Professor Crick, then of the London School of Economics, strongly believed—that politics is an honourable profession. I am sure that all those on the Conservative Front Bench would believe that it is right to allay fears that have come about as public perceptions have changed in recent years. That is why the Government have come forward promptly, before the recess, and accepted the Nolan recommendations.

As for the civil service code, we do not want civil servants to have their positions prejudiced. I accept what the hon. Lady said. I am happy to consult the Opposition Front-Bench team on the way forward in terms of placing in statute a new civil service code, which we intend to implement before the end of the year. I cannot promise to give the timetable of any legislation, but if the hon. Lady will join me on further discussions on that subject, it would be appreciated.

On the subject of Ministers' conduct as contained in the guidance given by the Prime Minister to all Ministers, I shall deal with the proposed amendment, which is contained in the White Paper. As to the phrase, "knowingly" to mislead, I am sure that it is apparent to the House that sometimes Ministers who are not fully aware of the facts at the time give answers to the House. That has occurred on a number of occasions—according to my researches, it has occurred over the past 40 or 50 years with Ministers of both parties when in government. The requirement is that Ministers should not knowingly mislead the House.

On the subject of what is not in the public interest, the hon. Lady will know that we have had out for consultation for more than six months, published in "Open Government", Cmnd. 2290, the specific reasons why it is sometimes necessary not to disclose certain facts because to do so would be against the public interest. I believe that the hon. Lady was reminded of what the proposals were by my predecessor in a letter in March—she has yet to respond. I am not aware of any problems that the hon. Lady or the House should have about those categories, which include defence, security, international relations, communications with the royal household, law enforcement and legal proceedings, and operations of the public service, such as setting bank rates. Those are well-established categories and are entirely defensible.

On the subject of what the hon. Lady described as the veto on what Lord Nolan may be doing, that is a matter for my right hon. Friend the Prime Minister, and I am sure that he will read the record.

Mr. David Hunt (Wirral, West): I warmly congratulate my right hon. Friend on his promotion to the Cabinet and his appointment as Chancellor of the Duchy of Lancaster. I praise him on his speedy and effective response on behalf of the Government to the Nolan committee's report. I thank him for his earlier words and strongly support his determination to implement the important recommendations and bring to an end a sorry chapter in British public life, which has been characterised by allegations, slurs and innuendoes, mainly from the Opposition. Those allegations have subsequently been found to be completely without foundation.

The evidence given on behalf of the Government and contained in chapter 1 of the Nolan committee's report shows that much of the public's anxiety about standards in public life is based on perceptions and beliefs that are not supported by the facts. My right hon. Friend has done much today to restore public confidence in our high standards in public life.

Mr. Freeman: I am most grateful to my right hon. Friend for those remarks and for his personal references. He is correct in what he says about the public's perceptions of the conduct of Ministers, civil servants and hon. Members in the House—and we are to debate that issue tomorrow. The Government do not deny that fact. That is why we have moved positively, quickly and sensibly without jeopardising the essential principle of retaining an interchange of men and women of talent, interest and commitment between the private and public sectors.

Mr. Robert Maclennan (Caithness and Sutherland): Does the Chancellor of the Duchy of Lancaster recognise that his predecessor must be entirely wrong in his assertion that the series of proposals can draw a line through the scandals that led to the investigations of Lord Justice Scott, which will keep alive in the public's mind the systematic attempts by his colleagues to withhold information? Against that background, we must consider the adequacy of the proposal to codify in the rules of ministerial behaviour a provision that allows Ministers to withhold information if they deem it to be in the public interest to do so. Does the Chancellor accept that other countries that pursue openness through freedom of information legislation have always had some independent mechanism for judging whether the public interest is served by Ministers withholding the facts?

Mr. Freeman: The hon. Gentleman will have noted the Government's commitment to hold a debate in the spillover period, and doubtless he will be able to raise those issues then. The Government took the initiative by publishing the White Paper "Open Government" earlier this year. It set out the issues very clearly and it gave specific and sensible examples of where it would be in the public interest to withhold information. I believe that we pursue open and sensible government in this country.

Sir Peter Emery (Honiton): Does my right hon. Friend accept my praise for bringing forward such a forthright statement so quickly? I think that he will accept that much of the background work was done by my right hon. Friend the Member for Wirral, West (Mr. Hunt) before he left office. We should pay tribute to both my right hon. Friends for the work that they have done in preparing the statement that was presented to the House today. Very few people would have expected such a speedy response from the Government, and I am sure that the public welcome it.

I shall make a personal observation on the matter of "knowingly" misleading the House. As a Minister, I misled an hon. Gentleman quite unwittingly from the Dispatch Box when I was not aware of all the facts. When those facts were pointed out to me later that day, I returned to the Chamber and apologised to the hon. Gentleman and to the House for what I had said. That sort of incident can occur quite openly. The idea that a Minister always knows everything that goes on in his or her Department is absolute nonsense, and we must understand that from the word go.

Mr. Freeman: My right hon. Friend, like me and my right hon. Friend the Deputy Prime Minister, lives in the real world and I accept his remarks entirely. When he has a chance to read the White Paper, he will see that it deals with the conduct and procedure for Ministers. It states on page 32:

"Ministers must not knowingly mislead Parliament . . . They must be as open as possible with Parliament and the public".

It continues:

"Ministers . . . should correct any inadvertent errors at the earliest opportunity".

It has long been the tradition in the House to report errors promptly when they are discovered, by statements in the Chamber or by way of written answers.

Mr. D. N. Campbell-Savours (Workington): Does not the inclusion of the word "knowingly" invite civil servants deliberately to mislead Ministers on occasion, because they recognise that the whole principle of contempt breaks down in the House of Commons? Ministers simply have not grasped that fact.

Has the Minister seen the hundreds of questions that I have tabled over the past six months, many of which—particularly those about lobbying—have received a reply referring to disproportionate costs? It is clearly not a question of cost: Ministers simply did not want to answer the questions. I have received answers of that nature from the former President of the Board of Trade, who is present in the Chamber. He clearly did not want to reveal information about lobbyist activities in his Department.

Lord Nolan is representing the public interest when he says that Ministers must not mislead Parliament, and that that principle should be incorporated in a code. He understands that Ministers do mislead Parliament under the present arrangements.

Mr. Freeman: I do not think that the House accepts the hon. Gentleman's perhaps inadvertent slur on the civil service. The civil service has a draft code of conduct open for consultation and I repeat the Government's commitment to implement that code, following proper consultation, by the end of the year. If the hon. Gentleman has the chance to read the code, he will see that civil servants are under the same obligation as Ministers to ensure that Parliament is not misled.

The hon. Gentleman also referred to the matter of disproportionate cost. I have answered many written questions by referring to disproportionate cost. The solution lies in the hands of hon. Members, who must ensure that their questions are as specific as possible. It is unreasonable to expect Ministers to answer—at great public expense—open questions, which would sometimes take many weeks or months to respond to properly. If the question is specific, it can be answered.

Mr. Michael Stephen (Shoreham): Will my right hon. Friend remind the Liberal Democrat spokesman, the hon. Member for Caithness and Sutherland (Mr. Maclennan), that a public interest immunity certificate is not a gagging device that enables the Executive to withhold information from the courts? Will my right hon. Friend confirm that when a Minister signs a public interest immunity certificate, it simply places the matter before the judge, and it is the judge—not the Minister—who decides whether the evidence can be admitted in the proceedings?

Mr. Freeman: My hon. Friend is absolutely right. Public interest immunity certificates, which were signed

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on the advice of the Attorney-General by both Labour and Conservative Ministers at the appropriate times, simply identify to the court documents that the judge may sensibly consider withholding from public scrutiny. The court, not Ministers, must decide what information is made public. In recent cases, the judge has exercised his right to agree or to disagree with Ministers; but the judge must make that decision.

Mrs. Ann Clwyd (Cynon Valley): The Minister cannot get away with misleading the House this afternoon. We receive the same answers time after time. I have in my hand a clutch of answers that I received from Ministers this morning, and many of them refer to disproportionate cost. The Minister said that if the question is open, the answer will be "disproportionate cost". However, I asked a very specific question about the Government's aid to Indonesia for a particular project and I received the answer: "disproportionate cost".

I have asked about 150 similar questions during the past six months, and time and again I have received the answer, "disproportionate cost". I once asked the Foreign and Commonwealth Office about the cost of one embassy in one country and I was informed that it had taken 106 hours to find the answer to my question. That is absolutely ridiculous. Members of the public are led to believe that Opposition Members can ask questions and that Ministers are obliged to answer them. The public are being conned by the Minister this afternoon.

Mr. Freeman: I shall try to answer the hon. Lady's question in a constructive manner. I appreciate that there are sometimes problems. I suggest that, in some cases, it might profit the hon. Lady to write or to speak to the Ministers concerned instead of sending in written questions that must often receive a very brief reply. If the hon. Lady has problems obtaining information that can be provided sensibly and at proportionate cost, instead of sending the Ministry a battery of questions, why does she not adopt my pragmatic advice and speak to the Ministry or the Minister direct?

Mr. John Butcher (Coventry, South-West): What is a public figure; and how do we define "influence"? It is argued that those who are paid out of public funds—Members of Parliament, for instance—and who, because of their position, are seen to have influence and are therefore retained by the private sector, should sign a register.

May I put it to my right hon. Friend that there is a hole in Nolan? There is another group of public figures who have influence, who are paid for out of public funds, and who are sometimes hired by the private sector because of their influential positions—but they never have to declare anything. Entirely at random I think of, say, the presenters of the "Today" programme in the morning. They are paid for out of public funds; they have huge influence; they pride themselves on their quasi-constitutional position: questioning the Executive and taking up the agenda. Should they not also declare their earnings from outside, which allegedly exceed their earnings from the BBC? My right hon. Friend may think that a cynical point; perhaps on investigation the comparison may prove to be more exact than we think.

Mr. Freeman: It is an unfair and unequal life for Ministers as compared with the media, certainly with respect to registration of hospitality. We suggest that Ministers enter in the House of Commons Register hospitality amounting to more than £160—the rule that applies to Members of this House—when that amount might reasonably be thought by others to influence a Minister, if the Minister actually accepts the hospitality.

My hon. Friend will be well aware that prudent Ministers, taking advice if necessary from their permanent secretaries, do not accept hospitality when it might be thought by others outside the House that their judgment and decision making might be influenced.

Mr. Skinner: Is the Minister aware that the only real way of dealing with this problem of Ministers and Members of Parliament is to ensure that all hon. Members have one job and one job only? That job is to represent constituents, so there should be no conflict of interest. If the right hon. Gentleman intends to introduce some sort of quarantine period for Ministers, does he realise what the problem will be? In come a Labour Government, and 110 Tory Ministers will be looking for plum jobs. We are going to democratise quangos, so all the people who hold those jobs at the moment will be competing with Tory Ministers for the remaining jobs.

I have a suggestion: the quarantine will snap. So it would be better for Tory Ministers to do now what the right hon. Member for Wirral, West (Mr. Hunt) has already done—he got out early to pick up the plum jobs.

Mr. Freeman: I look forward to serving as a Minister for a long time to come—certainly beyond the hon. Gentleman's retirement.

Mr. Nigel Spearing (Newham, South): Does the Chancellor recall quoting the Select Committee a few moments ago, to the effect that it could not make a major distinction between Ministers of the Crown and Members of this House? No one expects a Minister of the Crown to divulge information or give of his time for an outside consideration. If that is so, and as we are all in another sense public servants, should not the same principle apply in the same way to all Members of Parliament? They should make no contracts, and come to no arrangements relating to information or time, with outside bodies by virtue of the office that they hold. If the Government are saying that, they are right—unless they are applying it only to hospitality.

Mr. Freeman: The responsibilities of Ministers are very different from those of Members of Parliament. The requirements are extremely onerous: no Minister can retain any outside employment except under very limited and specific circumstances. It seems to me right, therefore, that the Government, who have this afternoon accepted in the White Paper the spirit of the Select Committee's remarks on the registration of hospitality, should say that Ministers should register it, but as Members of this House. The tests are different, but the requirement and the responsibility remain the same.

Mr. Peter Bottomley (Eltham): Like many who go into military service, many who enter the civil service and political service do so not because they offer the best earning jobs but because those people think it important to do the job, and to do it well. I welcome what my right hon. Friend said about the advice for people in the civil service. When I was a junior Minister, I told my civil servants that if I did something they thought wrong or

misleading, they should tell me the first time, tell the permanent secretary the second time, and tell *The Guardian* the third time. Most of them managed to avoid telling *The Guardian*.

Finally, may I suggest that people in Parliament, whether Ministers or not, should apply the local newspaper test and ask themselves whether they are doing something that they would not like to see appear in their local newspaper? If the answer is yes, they should either not do it or tell the paper.

Mr. Freeman: In the proposed code of conduct for civil servants, we propose a wider definition of concerns—a wider number of issues—than Nolan recommended. We say that if a civil servant is concerned about the conduct of his or her Minister, initially the matter should be raised with the Department. That is likely to mean the permanent secretary. If the civil servant is still concerned, the matter can be raised with the civil service commissioners, and if they are not satisfied with the response from the Department or the Minister, the commissioners will report to Parliament. That seems a sensible and practical way forward. It protects the confidentiality that must exist between the Ministers and civil servants, while still permitting civil servants worried about certain actions or policies to raise their legitimate concerns.

Mr. David Shaw (Dover): If the Government really believe in openness and no cover-ups, what are they doing to ensure that full details are published of the trips to Washington and Gleneagles by the Leader of the Opposition; and of how the Industrial Research Trust finances his office? What are the Government doing about that?

Mr. Freeman: Opposition Front Benchers are not Ministers and are therefore not covered by this response—and long may that remain so.

Mr. Chris Mullin (Sunderland, South): The Minister failed to respond to the last point made by my hon. Friend the Member for Dewsbury (Mrs. Taylor)—that if the Government want to be taken seriously in their desire to improve public confidence in public life, they will have to persuade the Prime Minister to remove the veto on Lord Nolan's studying the funding of political parties. Will he please respond to that point now?

Mr. Freeman: I think I did respond to it—it is a matter for the Prime Minister, not for me.

Mr. David Winnick (Walsall, North): Is the Minister aware that it was wholly unacceptable that former Cabinet Ministers, out of office for only a very short time—weeks in some cases—joined the boards of industries that they had been responsible for privatising? Moreover, other Cabinet Ministers, having left office, joined the boards of organisations that had had dealings with the Departments in which those Ministers had served. What is now being recommended is likely also to be unacceptable, because this Government will probably choose the three-month period, not the two-year period. What happened in the past was inexcusable and was, no doubt, one reason why it was considered necessary to let Nolan investigate.

Mr. Freeman: When the hon. Gentleman has the opportunity, he will, I am sure, consult pages 4 and 5 of the White Paper, which set out the criteria that the Advisory Committee on Business Appointments should use when determining whether there should be a waiting period of up to two years before a former Minister takes an appointment. He will note that there are three specific criteria. The first is:

"has the individual been in a position which could lay him or her open to the suggestion that the appointment was in some way a reward for past favours?"

The second is:

"Has he or she been in a position where he or she has in fact had access to trade secrets of competitors or knowledge of immediately impending Government policy which would give his or her company an unfair advantage?"

The third is:

"is there another specific reason why acceptance of the appointment would give rise to justifiable public concern?"

We have left in the criteria the role of the advisory committee to consider justifiable public concern, but we want it to look as specifically as possible at what the objection may be. The intention is not to have a generic ban on returning to certain professions, or to former employment or family businesses; it is to look at the specifics of a case so that there should be no presumption that for former Ministers there should automatically be a two-year ban.

Mr. Tony Banks (Newham, North-West): I refer the Chancellor to recommendation 21 on page 8, relating to official gifts to Ministers. Why have I been unsuccessful in obtaining from Ministers and the Prime Minister a list of official gifts? What is the big secret about those gifts? How come that in the United States, the President has to publish a full list of gifts, which are put on public display, yet gifts that are given to Ministers in their official capacities by grateful Governments or people overseas remain a state secret? Are Ministers walking around with arms full of golden Rolexes given to them by sundry oil sheiks? What is the secret?

Mr. Freeman: As a former Minister of State for Defence Procurement, I was sometimes offered, but sometimes declined, such gifts. The rules are clear and I repeat them briefly for the hon. Gentleman's benefit. If a gift that is given personally to a Minister, which is inscribed or given specifically to an individual, has a value in excess of £125, the Minister may not retain it. If it exceeds that value, he or she can pay for it and there is a prompt valuation by outside experts. The gift will be either retained or handled in a discreet fashion in order not to cause offence to a foreign Government. *[Interruption.]* Discreet in the sense that offence should not be caused to the donor, not discreet in the sense of trying to cover something up. Those rules are clear. *[Interruption.]* The hon. Gentleman can pursue his general question. I shall be happy to respond when I have researched the facts. If the hon. Gentleman cares to write to me, I shall respond. *[Interruption.]* The hon. Gentleman laughs. I have sought to respond to such written questions, including from the hon. Gentleman, on literally hundreds of occasions, as fully and fairly as possible.

Mr. Harry Barnes (Derbyshire, North-East): One of the public's perceptions is that Members of Parliament should be full time without paid outside interests. That is the majority submission that was put to the Nolan committee by the public, although it did not accept that. Surely the public are correct. They should expect their elected representatives to work on their behalf using the

[Mr. Harry Barnes]

procedures of the House to further the public's interests, not to seek to serve other interests outside. If they want to serve other interests outside, there are many unpaid voluntary jobs in which they could be involved. It is surprising that the outside interests that are considered are always the well-paid ones.

Mr. Freeman: I respect the hon. Gentleman's opinion, although I do not agree with it and neither do many of his colleagues. Therefore, the hon. Gentleman speaks for himself, not for the Labour party. My accountability to the House relates to Ministers and the civil service. I shall be here tomorrow to listen to the hon. Gentleman's contribution, if he catches your eye, Madam Speaker. It is a matter for Parliament to decide, not Government. The Government make decisions on the conduct of Ministers, special advisers and civil servants, but the House makes its own rules for hon. Members.

Mr. Tom King (Bridgwater): Is my right hon. Friend aware that the answer that he gave to the hon. Member for Newham, North-West (Mr. Banks) is extremely accurate? He seems to be completely puzzled about what happens to presents given to Ministers. My right hon. Friend is right to say that they are smartly removed by private secretaries if their value is above a certain level. Since two of the gifts that I received as Secretary of State for Defence were a Heckler and Koch machine pistol and a kalashnikov, it may be of reassurance to the House to know that they were swiftly removed from me.

Is my right hon. Friend aware that the question asked by the hon. Member for Walsall, North (Mr. Winnick) is the real justification for my right hon. Friend's answer about the need for procedures for Ministers and for their eligibility to come under the advisory committee? The hon. Gentleman has repeated precisely the falsehood about the conduct of Ministers retiring from the House and going to work for nationalised industries. The evidence given to the Nolan committee was that not a single Member of the House who retired as a Minister was in breach of the two-year rule suggested by the advisory committee.

Mr. Freeman: I am grateful to my right hon. Friend, who is a distinguished member of the Nolan committee. I am grateful to him for his comments and contribution to the exchanges. With regard to the past record, I agree with him. Too often there is innuendo and smear, not a substantiated charge. Some Opposition Members are in the business of trying to stir up public perception erroneously. Ministers are perfectly happy to defend themselves against specific charges, not the general smear, which has too often been the case in the past.

Mr. John Carlisle (Luton, North): On a point of order, Madam Speaker.

Madam Speaker: Point of order, Mr. Carlisle.

Mr. Peter Shore (Bethnal Green and Stepney) *rose—*

Madam Speaker: I am sorry. I have one more very important right hon. Member to call. Mr. Peter Shore.

Mr. Shore: Thank you, Madam Speaker. In that mood, I begin by saying that I am broadly very happy with the forthcoming statement made by the Minister. But in one particular he should think further and, in particular, in time for the next debate that we shall have during the overspill period. I refer him again to the section on the conduct and procedure for Ministers and the new form of words that says:

"Ministers must not knowingly mislead Parliament . . . withholding information only when disclosure would not be in the public interest".

We know the difficulties of interpreting the public interest, but a stronger form of words is needed, such as, "only in those very exceptional circumstances when disclosure is not in the public interest," or "when disclosure is clearly and certainly not in the public interest". But to leave that in its present form allows for far more latitude than is healthy for Ministers of either side of the House.

Mr. Freeman: That is a helpful suggestion. I referred to the document on open government, although I got the year of publication wrong—I think that it was 1993. I shall certainly go back and have a look at the cross-references that I was trying to draw out to those cases where public disclosure might not be in anyone's interest. I shall come back to the House during the debate with perhaps more thoughtful proposals on how more generally we can either cross-refer or define those circumstances.

Points of Order

5.27 pm

Mr. John Carlisle (Luton, North): On a point of order, Madam Speaker. You will be aware that this evening the House will consider the draft Broadcasting (Restrictions on the Holding of Licences) (Amendment) Order 1995, which was considered in the Standing Committee on Statutory Instruments, &c. last Wednesday and rejected on a vote. It was also considered last evening in another place by their Lordships when it was passed but opposition was expressed to it.

Is it correct, Madam Speaker, that the Statutory Instruments Committee having rejected the order, the Government can bring the order before the House after 10 o'clock when no debate is to be allowed, though I understand that a Division may be called, on a matter of enormous importance to the shareholders of Chiltern Radio, many of whom are my constituents? If the Government can ignore what the Statutory Instruments Committee said last week and bring the order before the House, what is the point of having such a Committee in the first place?

Mr. Barry Sheerman (Huddersfield): Further to that point of order, Madam Speaker. I have no constituency interest in this, but it seems strange that the Statutory Instruments Committee last week failed to approve the order. It was rejected in the Commons—a point raised eloquently last night by two members of the other place—and the Government used a wheeze to introduce the order: the wheeze that, traditionally, the Front Bench in the House of Lords does not oppose an order of this kind, introduced in this way.

We have just been discussing parliamentary scrutiny. In this instance, parliamentary scrutiny does not exist. The issue is important: the Government have wheedled to get their own way. First they cannot pass the measure by means of parliamentary scrutiny in a House of Commons Committee; then they bounce it into the House of Lords, preventing us from subjecting it to proper scrutiny here. Now it has returned to the House, but we shall not be able to debate it or tell any of our colleagues, on the Floor of the House, what has occurred. It would require a very diligent Member of Parliament to discover that such wheedling insinuations were being made.

Sir David Madel (Bedfordshire, South-West) *rose—*

Madam Speaker: Order. No doubt the hon. Gentleman is going to make the same point.

Sir David Madel: It is on a constituency matter, Madam Speaker.

Madam Speaker: All right, I will hear it.

Sir David Madel: On a point of order, Madam Speaker. The Chiltern radio station to which my hon. Friend the Member for Luton, North (Mr. Carlisle) referred is in my constituency; a number of its employees are my constituents, and share my hon. Friend's anxiety. I hope, Madam Speaker, that you will be able to rule in accordance with what he has sought.

Madam Speaker: The hon. Gentleman is not absolutely correct. When the statutory instrument went before the Committee, it did not reject it; it voted—on the Chairman's casting vote—that it had not considered the instrument.

Standing Order No. 101 gives the Committee no power, once the vote has been taken, other than to report the matter to the House, and that is what is taking place. Nothing irregular has occurred. Although the motion may not be debated tonight, it must still be decided, and hon. Members may vote against it if they wish. Nothing irregular has occurred in this place; Standing Order No. 101 requires the procedure that has taken place to be carried out.

Several hon. Members *rose—*

Madam Speaker: There can be no further point of order. I have just answered the point of order, and I cannot change the Standing Orders. I cannot take a further point of order. I am trying to be helpful, but I have already given the answer.

Mr. John Carlisle: On a separate point of order, Madam Speaker. I think that you should know that the takeover panel has instructed Chiltern Radio not to use any form of political lobbying in relation to the legislation. Indeed, the panel has prevented it from approaching Members of Parliament on that very basis. At the same time, the hostile bidder, Great Western Radio, is employing the lobbying firm GJW. On that basis, is it right for the takeover panel to have banned political lobbying?

Madam Speaker: Order. If the hon. Gentleman will allow me to say so, this sounds very much like a matter of privilege. I hope that he will go no further now, but will immediately write to me about the matter if what he says is correct. If he had said that in the first place, I might have been able to be more helpful. I hope that he will write to me straight away.

Mr. Sheerman: On a fresh point of order, Madam Speaker.

Madam Speaker: The hon. Gentleman cannot raise it: It is now a matter of privilege.

Mr. Sheerman: The point relates to privilege.

Madam Speaker: The hon. Gentleman cannot relate it to privilege. I am sorry; I am trying to be helpful to the House. Points of order cannot be related to privilege. I am waiting for a letter from the hon. Member for Luton, North (Mr. Carlisle), and the hon. Gentleman must not now disturb that procedure.

Mr. Nigel Spearing (Newham, South): On a point of order, Madam Speaker.

Madam Speaker: I know that the hon. Gentleman understands our procedures.

Mr. Spearing: The whole House is grateful to you, Madam Speaker, for the information relating to a possible Division on motions 6 and 7. If the timed debates that precede those motions are completed at or after 10 pm, will the motions be automatically exempted? If no order applies—either automatically, under Standing Orders, or by resolution—am I not right in thinking that neither motion, if objected to, will be passed tonight?

[Mr. Spearing]

Madam Speaker: I am advised that that is not correct. The Questions on the motions must be put.

Mr. Jeff Rooker (Birmingham, Perry Barr): On a point of order, Madam Speaker. I am reluctant to intervene, but, on the basis of what you have told the hon. Member for Luton, North (Mr. Carlisle) in regard to motion 6, if the hon. Gentleman wrote to you before the motion was reached and you therefore decided that a prima facie breach of privilege might be involved, would you then not put the Questions on the motions?

Madam Speaker: Not necessarily; I would have to consider what the hon. Member for Luton, North had told me. He ought to write to me speedily, however, and I ought to try to deal with the matter speedily, if I am to be allowed to do so. Basically, this is a matter for the Government, but I want to consider what the hon. Gentleman has told me when I examine it in the context of privilege—if I am allowed to do so.

House of Commons (Abolition)

5.35 pm

Mr. Andrew Rowe (Mid-Kent): I beg to move,

That leave be given to bring in a Bill to abolish the House of Commons in its present form.

The House of Commons (Abolition) Bill has only one clause, which proposes the abolition of the House of Commons in its present form—and, of course, we have the power to do that. There is no doubt of the extent of the House's power; the debate must be about the use that we make of it. Are we effectively organised to lead the United Kingdom into the 2lst century? I do not believe that we are, and I am not alone in that belief. In the past four years, the percentage of the population who believe that Parliament is doing a bad job has risen from 16 per cent. to 30 per cent.

The worst feature of our present state is not just that we have no effective mechanism for examining and reforming ourselves; it is that we do not care a jot about it. My right hon. and hon. Friends on the Procedure Committee work extraordinarily hard to improve the workings of the House: they have already altered the hours that we sit and amended the budgetary procedures following the change to a unified Budget, and may well provide us with a creche, in time. I do not belittle those improvements, but I doubt that they are the sort of changes that our critics have in mind.

What do those people have in mind? First, there are our procedures for examining the legislative proposals of the European Union. Every hon. Member knows that our present procedures are a sham. We have decreed that European legislation is decided by Ministers, reported to the House as a fait accompli and, very occasionally, debated, sometimes as long as two years after its introduction. The subordinate legislation goes to two Standing Committees, where my colleagues seek manfully to cope with a flood of regulations in which the House takes little or no interest, except in a handful of cases. No one here believes that that is adequate to protect the national interest; no one outside believes it either. Yet we do nothing to correct it, or even to consider how we might correct it.

This sovereign House of Commons is so careless of our own and the nation's future that we will not even look at the mechanisms that we have to scrutinise and debate European Union legislation whose impact on this place and on the nation grows daily. Any idea that we might copy Denmark, where the Folketing can ascertain whether Ministers have kept to their brief—or Belgium, where Members of the European Parliament have a role to play alongside Belgian national Members of Parliament—evokes contempt. Before we lambast the law-makers of Brussels, we might look at ourselves.

Again, we seem wholly insouciant about who becomes a Member of Parliament. The Nolan committee makes recommendations that may radically affect recruitment to this place, and we still do not look at how Members of Parliament arrive here. In my lifetime, there has been a huge change in the attitudes of business to the political aspirations of its employees. Once businesses were often supportive of the ambitions of staff who wanted to enter Parliament: they would give them time off to fight elections, or sometimes offer to hold open a place for them if they were beaten in a subsequent election.

That has all changed. Firms now tell an aspiring politician at an early stage of his career that he must choose between politics and the company. The result is that the House has fewer Members with business experience at even middle management level than for a century. The public, who know that our future depends on our ability to make and sell things, recognise that that is nonsense. It might not matter quite so much if Ministers were not drawn almost exclusively from Government Back Benchers, but they are, and we do not care enough to do anything about it.

Take our relations with parliamentary pressure groups. Fuelled by often colossal subscription income, becoming increasingly sophisticated every year, and able to command wide media coverage, single-issue pressure groups' influence over the House and the Government has risen to the point where one recently wrote to hon. Members to tell us what Bill it would be introducing next Session. I admire the colleague who wrote back robustly to say that she had always understood that it was for Members of Parliament or the Government to initiate legislation, but the pressure group was only stating the truth. Few large ones will have any problem about persuading a Back Bencher to pick up one of their Bills when Members have neither the resources nor the expertise to create a Bill on their own. That is a significant development and we all know it. It may be healthy or it may not, but we do not care enough either way to take the trouble to examine it.

Almost every week, a Member will rise and complain to you, Mr. Deputy Speaker, that some Government statement has been made outside the House, when propriety suggests that it should have been made to us first. It has become a meaningless ritual. We all know that if anyone in this place, a Minister or Back Bencher, wants to create an impact with an announcement, it is better to tell the media first. We know it, we pretend that we resent it, but we will not even consider examining our procedures to fashion a more effective partnership between this place and the media. The meaningless adherence to the shibboleths of a previous era simply brings the House into public contempt. We know it. We do nothing about it.

Take the roof off an ants' nest and one will see a myriad of ants scurrying about, all desperately busy. I have no doubt that, if one could ask them, each ant would say that it had never been so busy. Take the roof off the House of Commons and a similar scene would be revealed: hon. Members scurrying about, carrying heaps of paper, dashing to be on time for a Standing Committee, where they will be discouraged from saying anything at all, talking endlessly down the telephone to resolve a welfare case that in a citizens advice bureau would be pursued by a part-time volunteer.

I have no doubt that almost all my colleagues work desperately hard. I wonder how much of value we contribute to the governance of the United Kingdom. In 1991, the House approved more than 2,200 pages of legislation and 2,945 statutory instruments. That is 13 pages of law and 18 statutory instruments every working day. What a burden for all our citizens, which is largely unexamined in this place and which recently has got worse.

The public are better educated, better informed and more sophisticated than ever before. They sent us here to call the Executive to account, but we allow the Executive more power and less accountability with every passing year. We have required every institution in the land—universities, the professions, business, big and small, schools, hospitals, and local authorities—to subject themselves to rigorous testing and radical change. They have mechanisms for passing on from one generation to the next the wisdom learned through experience; we do not. They learn from organisations all over the world; we do not. Only here, where their revolutions have been demanded or approved, is no planned change discernible. Only here do we make no provision even to consider whether we should change. No one in here cares. A swollen Executive relies on its existing members, the ambition of its aspirants or the exhaustion of its former members to keep this sovereign House in its posture of supine subservience.

Today, I have not sought to list solutions; those come later. Unless we first demonstrate an interest in self-improvement, there is no point in bothering about detailed proposals.

This sovereign House of Commons, whose power is, to all intents and purposes, absolute, once before got out of touch with public sentiment. On that occasion, an hon. Member came to the Chamber with soldiers and told the Members debating on these Benches:

> "You have stayed in this place too long and there is no health in you. In the name of God, go."

If we are not one day to suffer the same fate, we need to ask ourselves how best to fit ourselves for the next millennium.

5.44 pm

Mr. Tony Banks (Newham, North-West): I wish to oppose the motion moved by the hon. Member for Mid-Kent (Mr. Rowe). It is not fair for him to say that none of us cares and that we might as well leave this place. Perhaps he has been listening to the advice of his hon. Friend the Member for Welwyn Hatfield (Mr. Evans), who said, "If you're fed up with being a Tory Member of Parliament, vote for John Major." I do not know how the hon. Gentleman voted in that leadership election, but it is wrong to say that people do not care about the procedures of this place and about the need to make it more responsive to people's wishes and needs.

I agree with many of the sentiments that the hon. Member for Mid-Kent has expressed and some of the analysis, but I do not agree with his solution, which is to abolish the House of Commons in a one-clause Bill. That is a ludicrous proposal. It is like saying that I have a bad headache and to deal with it I will knock my head off. That seems a rather extreme cure to offer.

Much needs to be changed in this place and in the way in which we organise both government and politics. The hon. Gentleman should have dealt with some of the solutions. He was good and long on analysis, but incredibly short on solution. He said, for example, that we do not hold the Executive to account, but we have spent three hours attempting to do so through questions to Ministers and the Prime Minister. We have had three statements and an opportunity to cross-examine Ministers. Ministers do not like that experience and it is ludicrous that, on Thursday, we will start a summer recess that lasts right through to 16 October. Despite what some hon. Members say, that is not a holiday for Members of Parliament, but it is a rest cure for Ministers because they

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will not have to come to the House and account for their actions. It makes a manifest nonsense of the claim that the legislature controls the Executive.

During that long summer recess, government will continue, but without the inconvenience of Ministers coming here to expose themselves to examination. *[Interruption.]* I am sorry. That is not a felicitous phrase to use in the context of Conservative Ministers these days, but hon. Members on both sides of the House know what I am getting at. We know that there will be press conferences, and initiatives. On Friday, the summit on Bosnia which the Prime Minister was talking about will take place, but we will be safely away in our constituencies and we will not be able to ask the Prime Minister, Ministers, or the Foreign Secretary when he returns from Washington, what is being done and said in Parliament's name. Parliament has no say in those decisions.

We need to reorganise the year, with sittings interspersed with regular and shorter recesses. Even when we are here during a Session, we are often denied the opportunity to debate and decide on issues of national and international importance. That is why Members are forced to raise what are in effect spurious points of order. Before the debate on this Bill, we had one of the most genuine exchanges on points of order that I have heard for many a year in this place, but normally it is not like that. We are forced to use Standing Order No. 20 applications and spurious points of order—*[Interruption.]* Hello! The mafia has turned up—to raise issues that we feel strongly about.

In this place, I want us to debate what people are debating in the Builders Arms, my local pub. It is ridiculous that people can debate and discuss significant issues outside this place, but that we are denied the opportunity to do so.

One of the main reasons why we are often treated with contempt by the Government is that the Government do not need us; nor do they even need the payroll vote in some important respects. Far too many decisions are taken in the House using royal prerogative powers. The Prime Minister is an elected dictator. Hailsham said that about a Labour Prime Minister, but it could more accurately have been said about Baroness Thatcher, who was an elected dictator. Her majority meant that she had no need to apologise to the country or the House. Had she wanted to add an eighth day to the week, she had the political majority to enable her to do so. We do not want dictatorial powers being exercised by the Prime Minister through the royal prerogative.

Tomorrow we are going to have a debate on Bosnia. It is only a debate—no one will ask us anything and we shall not vote on what we should do. Ministers can ignore us or heed us, as they please. The decision as to whether our troops should become involved in military activity or withdraw will be taken using the royal prerogative powers rather than following a decision taken by the House. In effect, a raft of decisions affecting every single man, woman and child does not even have to be discussed in the House. The House of Commons is not asked for its permission. *[Interruption.]* I am disagreeing with the solution suggested by the hon. Member for Mid-Kent. He should have specified ways to change the House to make its operation more efficient. There are so many changes that could be made.

Personally, I believe that we need to change the way in which we vote. Let us have proportional representation; we might then achieve a balance in the House that is far more in keeping with the wishes of the people. Let us have fixed-term Parliaments; let us abolish the House of Lords and the monarchy. Those are ways to make the House more efficient. We should not follow the path outlined by the hon. Gentleman and abolish the House of Commons in a single-clause Bill.

Question put, pursuant to Standing Order No. 19 (Motions for leave to bring in Bills and nomination of Select Committees at commencement of public business):—

The House proceeded to a Division; but no Member being willing to act as Teller, MR. DEPUTY SPEAKER *declared that the Ayes had it.*

Question agreed to.

Bill ordered to be brought in by Mr. Andrew Rowe, Mr. Gyles Brandreth, Mr. Michael Fabricant, Mr. Christopher Gill, Mr. Andrew Mackinlay and Dr. Tony Wright.

HOUSE OF COMMONS (ABOLITION)

Mr. Andrew Rowe accordingly presented a Bill to abolish the House of Commons in its present form: And the same was read the First time; and ordered to be read a Second time upon Friday 20 October and to be printed. [Bill 169.]

Metropolitan Railway Grant

5.54 pm

The Minister for Railways and Roads (Mr. John Watts): I beg to move,

That the Special Grant Report (No. 15) (Metropolitan Railway Grant 1995-96) (House of Commons Paper No. 470), which was laid before this House on 14th June be approved.

Had my hon. Friend the Member for Mid-Kent (Mr. Rowe) managed to get his Bill through all its stages immediately, I might not have had the opportunity to detain the House briefly with this motion.

The special grant report sets out the measures that we are proposing to take to ensure that passenger transport executives in England obtain financial cover for the additional costs that fall to PTEs and passenger transport authorities this financial year—1995-96—as a result of railway restructuring. The House has already considered and approved the Scottish version of this report in Standing Committee on 5 July. That report covered the Strathclyde passenger transport authority.

The restructuring of the railways has changed the basis and level of charges for PTE rail services. Before April 1994, the PTEs were treated as marginal users of the network, under British Rail's charging hierarchy. The new charging systems endeavour to reflect the full cost of service provision in order to maximise transparency.

Railtrack's access charges and the rolling stock companies' leasing charges need to be at a level which will cover the cost of renewals investment and earn a return on their investment. Train operators also need to earn a rate of return on their operations. These adjustments reflect the real economic costs of providing the services in question.

Before April 1994, the Government provided support in respect of the PTE-funded railway passenger services solely by the provision of additional sums within the revenue support grant paid to metropolitan district councils. That support is known as the bolt-on. The total for the English PTAs is apportioned among the metropolitan district councils by formula. Although the sums are not hypothecated, the allocations for individual PTEs are published in the annual revenue support grant distribution report. The PTAs levy their constituent district councils to cover the expenditure requirements of their respective PTEs.

The revised charging regime that followed rail restructuring in April 1994 was unable to provide, at an early enough stage in the calculations of RSG for the year 1994-95, sufficient detail of access charges and rolling stock leasing charges to identify fully the extra charges to the PTEs. Consequently, the Government introduced the metropolitan railway grant as a transitional measure in 1994-95 to meet the funding gap between the bolt-on and the extra costs of the revised charging regime.

Calculation of MRG takes as the starting point the services for which the PTEs contracted in 1993-94, and the amount of grant represents the difference between the costs of providing those services under the old pre-April 1994 and new post-April 1994 charging systems. MRG was paid in 1994-95 by the Department of Transport direct to the PTAs, and the position remains the same under this report. The earlier report instituting MRG in England was debated in Standing Committee in May last year.

Because of the regulator's review of access charges, and the further development of the ROSCOs' and Railtrack's charging mechanisms, sufficiently detailed data on those charges were not available early enough to feed into the calculations of RSG for this financial year. In the circumstances, Ministers decided that, subject to parliamentary approval, MRG should be extended to cover the current financial year. The text of the report has been the subject of consultation with the PTEs and other interested bodies, including BR and the Association of Metropolitan Authorities. The report outlines the background to the PTEs' past and current funding arrangements, and sets out how the MRG will be calculated and the conditions attached to the payment of it.

Annex A to the report sets out some of the background to the PTAs, PTEs and rail support, and particularly how revenue support was provided by central Government in the past, and why it was necessary to introduce MRG in 1994-95. Annex B simply lists the English PTAs which will be paid MRG. Annex C sets out how MRG is to be calculated in 1995-96. The starting point is an individual PTA's relevant expenditure: BR's gross charges for providing railway passenger services to the PTE in 1995-96.

As the purpose of MRG is to compensate for the financial effects of restructuring, it is necessary first to deduct from the total charges the charges levied in 1993-94 on the old basis, and secondly, to deduct inflation on the 1993-94 cost base. Thirdly, a deduction is made in respect of payments made or to be made in 1995-96 under certain deeds of assumption governing the payment of money to PTEs to cover past capital grants to British Rail by the PTEs. Fourthly, there will be an adjustment—an addition to the grant total—to take account of any underpayment of MRG to the PTAs in the last financial year. The end result of that calculation will be the amount of MRG payable.

In the case of West Yorkshire and West Midlands, there will be a deduction in respect of the cost on the 1993-94 charging basis of service enhancements which followed from improvements in infrastructure. The final annex, annex D, sets out the conditions with which the Secretary of State has decided that the PTAs must comply in respect of payment of this grant.

The report covers this financial year, it ensures that PTAs and PTEs receive the additional costs that fall to them from rail restructuring for this financial year, and I commend it to the House.

6.1 pm

Mr. Henry McLeish (Fife, Central): This is a very important motion, and I am grateful that we have an opportunity to discuss it on the Floor of the House.

Being a decent, honourable man, the Minister will never talk about privatisation. It is called restructuring. The Government never talk about artificial markets, but we have charging hierarchies.

Mr. Watts: The hon. Gentleman will know that last week I was very happy to talk about privatisation. It is a matter of accuracy that this report deals with the consequences of restructuring. As he will know, we have not yet let the first of the franchises for the private operation of passenger services. That will come later this year: he has only to wait a while.

Mr. McLeish: I am grateful for that intervention, which enables us again to realise that the Government are making no progress with the franchising of railways—and thank goodness.

It is important to consider the point about restructuring versus privatisation. We bring this report to the Floor of the House because it is all about privatisation of the railways. It is not about restructuring: it is about the dismemberment of BR into 95 bits. Part of the problem is that there are seven PTAs—one in Scotland, and six in England which are the subject of the motion. We will suffer greatly at the hands of this Government.

We will not divide the House on this issue, because, in a sense, if one creates a crazy situation, one has to pay up. That is what the Government are doing. They are bailing themselves out of a financial situation of horrific proportions, with which I shall deal.

We are concerned about what this money is to be used for. If the allocation was about providing more trains in Yorkshire, Merseyside and Greater Manchester, or more services, stations, railway stock or signalling, it would be something to debate. This report shows the price of privatisation—nothing more, nothing less. That is why, in tabling the motion, apart from using words to provide a camouflage for what the Government are doing, they will not tell the British people or this House what that money will be spent on. Our case tonight will tackle that issue, because it is germane not only to the motion but to the use of the money voted through tonight.

Of course nobody doubts that the PTAs have done an excellent job. They provide an opportunity to attempt public-private integration, to tackle congestion, and to address an integrated public transport network. So there is no dispute about their track record. The motion is about the cash they will get in the financial year 1995-96, yet huge questions are unresolved about what happens in 1996 and 1997 if this crazy privatisation should proceed to the extent desired by Conservatives Members.

This evening, we do not want to disguise our central proposition. If, as I said, the motion was about services, that would be one debate. Our proposition is that, for the foreseeable future, this Government are willing to squander £250 million every year to pay for privatisation involving the passenger transport authorities. That is worth repeating, because, until now, the PTAs have received regular support through the revenue support grant. That has averaged perhaps £100 million, £120 million or £130 million a year. This year, the PTAs will receive a staggering £380 million—an increase of £250 million.

Mr. Hugh Bayley (York): Does my hon. Friend agree that a good way of illustrating the sum involved is by saying that £380 million was three times the amount of money needed to save the York carriage works by building another tranche of some 100 new carriages for use on suburban railways? The Government could have financed the building of 300 carriages for that amount of money and improved service to the public, instead of using it as a financing mechanism for privatisation.

Mr. McLeish: My hon. Friend is absolutely right. The opportunity cost of this folly will become evident this evening, because we will talk about the amount of money involved: £380 million. If it was a once-for-all increase of £250 million, it would still be a staggering sum of money. Ministers who always lecture the Opposition on probity in public expenditure are about to spend £250 million on simply nothing over the next five or 10 years—if they stay in power and privatisation proceeds on the basis that they want.

Obviously, I and my hon. Friends want to explore this crucial issue. To pay the price of privatisation, the PTAs will receive a 172 per cent. increase in the amount of money that they have to spend.

We have tried time and again to capture the right language properly to project what a monumental piece of stupidity privatisation is. Not only is it destroying the railways and threatening the PTAs, but it is squandering taxpayers' money on a grand scale. I hope that the Minister will address that central point. Will he confirm that we are right, and that money is being squandered, or is there some other reason behind the massive sum being poured into the black hole of the PTAs?

We have talked about the benefits that have accrued to the country of having PTAs, as I hope that all hon. Members would agree, but let us consider what is happening up and down the country. My hon. Friend the Member for York (Mr. Bayley) put his finger on what is wrong. Excellent schemes are being developed in every PTA in the country, they are desperately keen to provide integrated public transport, and they are yearning for stability.

The report highlights a policy in contrast to all those aspirations. If we had £300 million or £250 million to spend every year, what would we spend it on? The Government must tell us why, when there are so many priorities on the railways, they want to waste that money in such a way.

It goes without saying that this week, the Secretary of State for the Environment will meet representatives of local authorities. What would local authorities do with a quarter of a billion pounds across their departments? It is vital to stress that point, although it is outwith the report in the sense that other parts of local government are not covered by it. However, I know some chairmen of education, some chairmen of housing and some chairmen of other council departments in the Association of Metropolitan Authorities who would like to get their hands on a quarter of a billion pounds. The money is up for grabs. It is basically the price of madness—the price of privatisation.

The Minister might tell us about the discussions he has had with his colleagues about his being allowed to spend such an amount to support an artificial internal market, while other Ministers are desperate to get money to spend in the run-up to the next general election.

Mr. John Gunnell (Morley and Leeds, South): Does my hon. Friend agree that local authority spending may not be as irrelevant to the matter as he suggests? When the bolt-on comes in for the next financial year, the money will go straight to the district councils. They will have the choice whether to spend the money on railway services or hold on to it for other purposes.

Mr. McLeish: My hon. Friend is absolutely right. This is a point that I shall address in a few minutes, because it is one of the uncertainties that has an impact on discussions about the railways and the PTAs.

My hon. Friend makes the valid point that, if the Government move from a specific metropolitan railway grant to a system in which the money is absorbed into the

revenue support grant, there can be no guarantee that the money, which has been fed in for the railways, will get through a system that is under strain at present. The sum is massive, and the PTAs will depend on the good will of the local authorities to deliver the cash so that they can deliver the services. That is an important point.

Before leaving the question of cost and moving on to the uncertainties, it is worth repeating some of the ridiculous figures. Based on the PTAs' submission to the Select Committee on Transport, we know that South Yorkshire has a 150 per cent. increase to provide the same level of services. Strathclyde region, which is not covered by the report but which is relevant to the debate, will experience a 238 per cent. increase to run the same railway services this year as it ran last year.

The Minister must be alarmed that he is seeking the House's approval to spend a quarter of a billion pounds. Can the Minister be embarrassed?

Mr. Watts *indicated dissent.*

Mr. McLeish: The Minister indicates that he cannot be; I know that he does not mean it: I am sure that he can be embarrassed. We are 20 months away from a general election, and the country is informed that we have no money to spend. Why is it that we have so much money to spend on PTAs that we are talking about not £100 million or £200 million, but a quarter of a billion pounds every year? The Minister listens, and I am sure that he agrees that that is a large sum, which could be put to far better use.

Mr. Watts: Did I hear the hon. Gentleman correctly? Was he suggesting that it would be better not to spend this money on the provision of railway services in the metropolitan areas, but to spend it on something else? That is not an argument that I have heard from any of the PTEs.

Mr. McLeish: We should not have to spend such a sum if we did not have privatisation of the railway system. The privatisation of the railway system is logically and directly linked to the financial madness before the House this evening, and the Minister knows it. Of course we would like to spend money in productive ways on our railways. Until we stop privatisation—until we halt the madness—that will not be possible.

The Association of Metropolitan Authorities is obviously concerned about the future. It has on its hands a situation about which it can do nothing. It wants to provide the best services possible, but it cannot improve its services. Yet it still has to process the financial merry-go-round whereby the Treasury will give it extra money.

The Government will pay hand over fist to fatten up Railtrack and the leasing companies for privatisation, and they will, of course, pay money to the train operating companies. The AMA is not happy about the financial merry-go-round, as the Minister well knows. The Government are, however, paying the piper, and the AMA has to dance to the tune.

What about the future? Is the Minister willing this evening to give us a cast-iron guarantee that, beyond 1995-96, there will be no going back on a commitment to fund every extra penny of cost that the PTAs in England and in Scotland will have to pay for this privatisation? That point is vital, because the report leaves matters hanging in the balance.

At present, if the AMA and its constituent authorities accept the 1995-96 settlement, they will have to spend the money against a background of no guarantees about the kind of railway system they will have. They do not know whether the train operators will be franchised. They do not know what charges the leasing companies will impose, and what charges Railtrack will impose. It is important that we, as a responsible Parliament, ensure this evening that the Minister gives the guarantees that will be required if privatisation proceeds.

The next point concerns the transparency of the cash. Everyone knows that, at present, a grant is a fixed sum, it is given to the PTAs, and it can be spent. If it is then subsumed into the revenue support grant settlement, there is no guarantee that it will be delivered to the railways. There is no guarantee that the grant will be transparent in the sense that it can be discussed in the House. If the grant is subsumed in the RSG, there is no possibility that we shall have an order to debate. How can the nation, Parliament and the PTAs be reassured that public finance is being used for the purposes that the House intends?

I have already alluded to the next consideration. We live in uncertain times. The railways are a complete shambles, entirely due to the Government's policies on privatisation. This evening, we are saying to the PTAs, "Yes, you can have this quarter of a billion extra, and just get on with providing services." But the PTAs have no idea what the railways will look like in one month's, two months', six months' or a year's time. That is crass irresponsibility on the part of Government.

The Minister must tell us this evening whether Railtrack charges will be stabilised. Will not leasing companies fleece the train operators and the PTAs? Will we have stability in this so-called "artificial market"? What is the future for the railways, which impinges so heavily on what is happening with the PTAs?

The other important issue in terms of the RSG is capping. We must be reassured that the machinery of delivering special help to the railways through the RSG will not be the subject of capping procedures. We need a hard assurance on that, because it is no good for the Minister to say to the House, "Yes, it is a matter that we are looking at. Yes, it is a matter that we want to have further discussions on." Obviously, this deal will not be worth the paper it is written on if we do not have specific guarantees about what is going on. The long-term commitment of the PTAs is meaningless without long-term assurances about future funding and about the future of the railways.

I hope that the Minister will come clean about what the money is specifically to be used for. Is it really for the railways, or is it merely intended to prop up an artificial internal market to allow the Government to get on with privatisation, which no one wants outwith a small ideological clique in the Conservative party?

How can we ask the PTAs to continue to do such an excellent job, if their whole future is surrounded by uncertainty, by the notion that money may not be available, and by the possibility of the Government being hellbent on putting much of the railways into the private sector? It is worth while for the report to be brought to the Floor of the House, because it is the kind of matter that the Government like to smuggle through in Committee, so that they do not have to explain to anyone what they are doing and why the money is being used in

[Mr. McLeish]

a particular way. At the end of the day, they are doing no service to this House and they are certainly doing no service to the passenger transport authorities.

6.18 pm

Mr. Keith Hill (Streatham): As you will be aware, Mr. Deputy Speaker, my interest in the matters before us has already been declared in earlier exchanges—by the Prime Minister, in fact. I am sponsored by the National Union of Rail, Maritime and Transport Workers. However, at least I and other Members of Parliament sponsored by the rail unions have an interest in and a concern for the future of the railways—a concern that is obviously not shared by Conservative Members, judging by the scandalously empty Benches behind the Minister.

I should begin by welcoming the fact that at least the metropolitan railway grant is being paid. As the Minister said, last year it was expected to be a one-off transitional grant, designed to meet the extra costs of the restructured railway. The passenger transport authorities and the passenger transport executives were left in considerable uncertainty about the funding of future operations this year, until the late decision formally announced on 14 June that the Government would make further MRGs for the current year.

The force of many of the representations to the Transport Select Committee in the course of its inquiry into railway finances was that, as a result of that delay, the PTAs felt themselves to be up against the wire in making decisions about future services, given the long lead times involved in making contracts with operators and then composing timetables.

That is extremely unsatisfactory for authorities responsible for such a major part of the railway network. It is worth remembering that the rail services in PTA areas carry twice as many passengers as the former InterCity part of British Rail, and account for three quarters of those carried by the regional railways. In total, PTAs act as a channel of provision for just under one fifth of the overall net subsidy required by the rail network.

It is therefore vital that the Government get the future funding of those authorities right. As my hon. Friend the Member for Fife, Central (Mr. McLeish) said, we know that the Government have decided from 1996-97 to return to payments towards the section 20 rail services by means of revenue support grant under the terms of the so-called standard spending assessment bolt-on that flowed from the Local Government Act 1988.

The Minister must be aware that the PTEs have expressed some dissatisfaction with the formula used to calculate the bolt-on. No precise detail about it has ever been made public, and we have no precise information about the way in which the bolt-on is made up, but, according to the PTEs, the money involved appears to be allocated on the basis of a combination of route miles and infrastructure costs. Again, the data involved have not been made public, and there is a strong suspicion within the PTEs that the information base may be flawed.

I am sure that the Minister will recall that, in 1994, the Environment Select Committee's report on standard spending assessments called for maximum transparency in their preparation. It is sincerely to be hoped that the Government will live up to the commitment of the most recent of many Secretaries of State for Transport to total transparency concerning the section 20 bolt-ons. Furthermore, the Minister himself has made an unequivocal commitment that future funding will match in full the level of support currently allocated by means of the metropolitan railway grant and the bolt-on. The Opposition will want to give that commitment the most detailed scrutiny in due course.

Even if future funding by the Government is at 100 per cent. of the present levels, the method they have chosen for making the grants is still bound to create uncertainty about the long-term provision of local rail services. The Government may make a virtue of the discretion that the grants paid to metropolitan district councils under the bolt-on arrangements offer to such authorities, but, as my hon. Friend the Member for Fife, Central has already said, the fact that such grants are not ring-fenced means that they could be diverted from rail services to bus services, or even to non-transport services.

Rail services, by their very nature, involve long-term commitments to investment in infrastructure improvements and, above all nowadays, to rolling stock leasing. It will certainly be regrettable if the inevitable uncertainties arising from the new system of funding for PTE rail services cause their level to decline. There is no doubt that the changes in the funding mechanism, together with the restructuring of the railways under privatisation, have given rise to a series of grievances and anxieties within the PTAs and PTEs.

For example, under the new track access regime, PTEs are now charged for the use of track on the basis of the periods for which the trains they support occupy the track. However, because local trains are slower, more frequent, and stop at more stations than InterCity trains, the PTAs legitimately feel that they are being asked to pay a higher proportion of the total costs, despite the fact that the heavier, faster trains run by InterCity train operating units cause more track damage.

Moreover, there is a general complaint among both the PTAs and the PTEs about the significant rise in the costs quoted by Railtrack for new works. In some cases, those have doubled, and there has been a similar escalation in the fees charged by Railtrack for design and supervision. That comes on top of the added complexity affecting all major new projects that has been caused by privatisation itself.

For example, in the past, a plan for an electrification scheme would simply have been agreed among the PTE, British Rail and the Department of Transport. But now, such a project involves many more agencies and businesses, especially if there is to be a transfer of rolling stock between services on other parts of the network as part of the project.

Even entering into an agreement for the provision of services has become considerably more problematical under privatisation, and PTAs will naturally be more hesitant about incurring substantial loan debt liability as parties to franchise agreements stretching over periods of seven or more years, unless they have firm assurances about funding for both revenue and capital purposes—funding that will be available for the full period of the franchise. However, there is no sign whatever that such a commitment will be forthcoming from the Government.

Underpinning all those anxieties and uncertainties, as my hon. Friend has argued, are the astronomical increases in charges to PTAs arising from the restructuring of

railway finances from April last year. That has meant that the net claim on central Government funding for PTAs has increased from just over £130 million to the present £355 million-plus.

If nothing else, even if the future bolt-on covers the extra costs, it is bound to make metropolitan district councils think twice about passing on such colossal sums to PTAs. Of course, the Government will argue at one level that those are notional figures, and that the new money-go-round means that all the extra expenditure will flow back to the Treasury at the end of the day, at no extra cost to the taxpayer.

That may be true before Railtrack is sold off, but what will happen after the flotation, if it ever happens? There is no suggestion by the Government that there will be any significant decline in the charges levied by Railtrack, other than the marginal adjustments already proposed by the regulator. As we understand it, there is certainly no suggestion that the Government are planning to spend less on what constitutes essentially the same level of section 20 services. If they do plan to spend less, the Minister should certainly tell us about that this evening.

However, if Railtrack is sold off, the money will not go back to the Treasury next time. That money will be going into the pockets of Railtrack shareholders. In pursuit of their madcap goal of rail privatisation, the Government have massively increased public spending on the railways to enrich a handful of privateers at the expense of the rail passenger and the taxpayer. It is a racket and a scandal, and the Government will not be forgiven for it.

6.29 pm

Mr. Paul Tyler (North Cornwall): The Minister made a valiant attempt at the outset of the debate to suggest that restructuring and privatisation were somehow totally different. Perhaps I could remind him of his letter to the chairman of the public transport committee of the Association of Metropolitan Authorities, dated 30 June, in which he said:

"I understand your concern that any additional costs arising as a result of rail privatisation in 1996/97 could have a further impact on districts' budgets."

We would not be talking about the costs of restructuring were it not for the fact that the Government are hellbent on privatisation.

The passenger transport authorities in England which are the subject of the report have calculated the additional costs which they anticipate as a direct financial consequence of rail privatisation. They are as follows: West Midlands, £35.626 million; West Yorkshire, £28.254 million; Tyne and Wear, £3.951 million; South Yorkshire, £12.012 million; Merseyside, £49.894 million; Greater Manchester, £48.162 million. These are huge sums.

The hon. Member for Fife, Central (Mr. McLeish) was right to indicate the scale or weight of that investment. My only comment on the hon. Gentleman's contribution to the debate is that I wish that he had been as forthright, both in his speech and in his vote, in support of our motion last week on the sale of Railtrack as many of his colleagues on the Back Benches were. We welcomed their support.

This is an extraordinary chronicle of indecision and imprecision, a result of which will be major costs for the organisations concerned. I have seen the correspondence between the Minister and the AMA in recent weeks, and the one thing that stands out clearly is that the Department has left it to the very last minute to clarify the essential elements of the package that it is bringing before the House tonight. The status of the capping regime if the report is passed, and its provisions continued into next year, is still unclear. I hope that the Minister will address that point when he winds up this evening.

In terms of the travelling public, there is likely to be a hiatus in the services provided in metropolitan areas by the PTAs and PTEs. Our primary concern this evening should be the effect on the quality of services provided by Greater Manchester, West Midlands or wherever. Is there an implication for fare levels? Most important of all, will there be an impact on council tax payers? Will they have to pick up the bill? It is by no means clear from the exchange of correspondence between the Minister and the AMA that the last point has been tackled.

In a letter dated 29 June, the chairman of the AMA's transport committee specifically asked the Minister to address three points. He wanted clarification that

"the control total for support in 1996/97 is set at an adequate level taking proper account of the outcome of 1995/96 funding including provision through MRG . . . the additional costs will be supported 100 per cent. by Government funding and that no part of that cost shall fall on the council tax payers of the metropolitan district councils . . . any future capping criteria applicable to metropolitan district councils will recognise these costs of rail privatisation as reflected in the PTA levy and that due allowance be made in districts' budgets in order that the increased levy can be fully absorbed without impacting on other districts' spending."

The Minister's letter to which I referred was a short one. I do not pronounce him guilty of that—we could all do with short letters at times—but it did not explicitly address those queries. This evening, we should ask the Minister to be explicit.

If anybody is in any doubt about the possible impact of the transitional changes on the areas concerned, they should consider the position of Greater Manchester, where the PTA's charges as a result of the change in arrangements have risen from £40 million to £90 million—a huge sum. Greater Manchester is the second largest metropolitan authority, and must negotiate with 10 districts. This could be very damaging, and potentially dangerous for the whole mechanism of apportioning grant to the public transport system in Greater Manchester. As a result—I hope that the Minister will be able to comment on this—all three political parties represented on the PTA have agreed to sever their links with British Rail, and have pulled out of their section 20 agreement under the Transport Act 1968.

The potential for chaos is such that those responsible for trying to make sense of the madness are finding it impossible to do so under the terms of the section 20 agreement. Given that Greater Manchester has the biggest collection of urban rail services of those authorities to which metropolitan railway grant is paid, and given that it has the largest number of district councils for which MRG is available, one can see the complexity of the matter. The Government's last-minute indecision is causing real hardship and confusion, and the impact on the travelling public could be considerable.

I do not think that the last-minute brinkmanship in the negotiations does the Department of Transport or the House any credit. It puts a lot of people who have a heavy responsibility for providing public transport in metropolitan areas at a considerable disadvantage. Inevitably, that will put the travelling public at a disadvantage as well.

6.36 pm

Mr. John Gunnell (Morley and Leeds, South): As you have taken the Chair, Madam Deputy Speaker, and replaced my hon. Friend the Member for Pontefract and Castleford (Sir G. Lofthouse), I am left as the only Member in the Chamber who represents an area covered by a metropolitan railway grant. It surprises me that the Government Benches are so empty. I can think of a number of Conservative Members who represent seats in former metropolitan county areas. I can also think of a number of marginal seats in West Yorkshire.

Mr. Bayley: Does my hon. Friend believe that the almost total absence of Conservative Members suggests that there has been a collapse in support for rail privatisation among Conservative Members, and that they are no longer prepared to support Ministers in this ill-guided venture?

Mr. Gunnell: That certainly is the case. Conservative Members recognise the damage that is being caused by privatisation.

Mr. Andrew Rowe (Mid-Kent): That is far from being the case. The real answer is that, on a day when amazing rail strikes are paralysing the nation, the benefits of rail privatisation are so self-evident that there is no need for Conservative Members to be present in large numbers.

Mr. Gunnell: That may be the hon. Gentleman's view, but it is not the view of the majority of the travelling public, and I am sure that he knows that. Many marginal seats will be affected by the removal of the grant, and by the promise that the Minister gave to the metropolitan authorities in a letter to the chairman of the public transport committee of the Association of Metropolitan Authorities. He made it clear that the 1995-96 settlement would continue to guarantee additional costs.

I welcome the report because it ensures that services in metropolitan county areas will continue. As I represent a seat in West Yorkshire, I am glad that the West Yorkshire passenger transport authority, which we built up over many years, is to remain. It must be said that its grant remains at the 1993-94 levels. Will the Minister say what reductions will be made? He referred specifically to reductions that would be made in West Yorkshire as a result of the changes in service there since 1993-94, and I am sure that he could give me the costs.

Mr. Watts: I was explaining that, in calculating the amount of metropolitan railway grant starting from the total cost of current services at current costs, it is necessary to make an adjustment in respect of the West Yorkshire and West Midlands PTAs for the 1993-94 cost equivalent of the enhancement in services that they have made subsequently. They are therefore compensated for the increased cost of services that arise from restructuring. But by not taking account of the cost that they were already bearing and for which they were already supported through their existing level of bolt-on grant, they do not receive the whole of the cost, effectively for a second time.

If I led the hon. Gentleman to believe that I was suggesting a reduction in current funding, which would lead to a reduction in services, that was not my intention.

Mr. Gunnell: I thank the Minister for that explanation. I had understood that the grant was meant to cover services that existed at the end of 1993-94 but that, where improvements had been made, the Minister anticipated that the cost of those improvements would be borne by the passenger transport authority. Is he saying that, in future, Government grant will cover services that existed on 1 April 1994 but that if any authority has increased its services, that increase will fall on the authority's resources?

Mr. Watts: Not from 1994. The services to which I referred in West Yorkshire and the West Midlands had been planned, and infrastructure investment had been made for them. They came into operation after the end of the financial year 1993-94, and are included in the existing base bolt-on. They are also covered by the metropolitan railway grant, which I hope that the House will approve tonight. Beyond the current year, however, any changes in service that local authorities wish to make will have to be funded out of whatever provision they receive from that level of funding, which I propose should be provided when we move from MRG to the new enhanced bolt-on. Current services are covered by MRG in respect of the effects of restructuring, and will continue to be funded in the future when we take the existing bolt-on plus the existing MRG and carry that forward into an enhanced revenue support grant bolt-on.

Mr. Gunnell: I thank the Minister for that explanation, which enables me to make a point that has not been made in the debate so far. During the period in which I, as leader of West Yorkshire metropolitan council, had some responsibility for transport, we were developing new railway services. We opened stations and introduced new routes, and improvements were made to the service. A big potential for rail in metropolitan areas is not yet being fulfilled. My concern about the additional costs that will arise as a result of privatisation is that they will make it much more difficult for those who exercise responsibility locally to bring about the developments in service that the public want.

Mr. Bayley: In annex A to the report that we are debating, the Government say:

"Prior to railway restructuring on 1 April 1994, PTEs were generally charged by BR on a marginal cost basis that did not reflect the full costs of service provision."

When British Rail was a public service, it was right to try to enhance the service to the public by recouping only the marginal costs. But the Government's proposal implies that any future improvement of railway services in metropolitan areas will be charged at full cost to make Railtrack, once it is in the private sector, more profitable. As the leader of a former metropolitan council, will my hon. Friend give us his view on whether the proposed regime will make it harder for local authorities to enhance their local rail services in future and move people off the roads and on to the railways?

Mr. Gunnell: I thank my hon. Friend for his comments. It is basically the same point as I made to the Minister. I was about to come to the phrase about "marginal costs". One of my jobs in the past was to be involved in the negotiations between the passenger transport authority and British Rail. British Rail made sure, on every point where it had any flexibility, that it charged the maximum amount that it could. We had very tough negotiations within the terms of section 20, and the Minister would have expected British Rail to give us a tough time on the costs of those arrangements. So significant charges were paid.

I refer specifically to West Yorkshire, where one can see clearly the cost of privatisation. My understanding of the £28.254 million is different from that of the hon. Member for North Cornwall (Mr. Tyler). I understand that we are not at a stage where we can say what the total cost of the bill will be. Only at the end of the financial year 1995-96—in April 1996—will the final bill be known and paid, because it depends on two factors: first, the level of grant; and, secondly, the revenue from train fares in 1995-96.

I am sure that the Minister will tell me if I have misunderstood the report, but I understand that the old section 20 money is covered by that £28 million, less income from what I would call the "fare box", although it is not quite a fare box in the case of trains. In addition, there will be a metropolitan railway grant, which happens to be about the same amount—some £30 million altogether for West Yorkshire. So the total cost of services in West Yorkshire in the current financial year will be a total of £58 million, which is a staggering increase on the figure before privatisation. Indeed, it represents more than double the costs.

In my time, fares covered 27 per cent. of the necessary money. We felt that 27 per cent. was low because ratepayers always compared the amount that came in from fares on the rail system with the amount that came in through fares on the bus system. They may have felt that they were not getting a good deal, but one knew that there were many vital, strategic reasons why it was important to maintain the rail network. We therefore gave that additional commitment.

According to the proposal, fares will account for less than 20 per cent. of total costs. The Minister should spell out clearly where the required additional money has gone. Opposition Members believe that the total bill to be paid as metropolitan railway grant is a not-so hidden subsidy towards the privatisation process.

The Minister is correct to say that the privatisation proposals have not got very far, but he also made it clear that the Government's efforts will continue. He anticipates that franchises will be awarded next year. Passenger transport executives and district councils are worried about the future implications of those changes. They believe that the prices charged will fluctuate.

The Minister has spoken to the PTEs and district councils about Railtrack and the restructuring that has taken place—the preparation for privatisation means that services have been split up in readiness for sell-off. He believes that the additional costs incurred as a result of those changes have stabilised. That may be so, but the rail system is not stable, because of the Government's intention to press on with railway sell-offs. Once that becomes reality, what control will the Government have on the rate of return charged by private companies? If the rate of return is higher than the current rate allowed to Railtrack and the other subsidiaries, the final bill to be covered by the metropolitan railway grant will be larger than the current one. District councils and PTEs are naturally anxious to know whether the 100 per cent. commitment on offer is a 100 per cent. commitment relating not just to bills now incurred, but towards the additional bill that will be incurred as a result of changes in current railway arrangements.

I agree with my hon. Friends that those additional costs are the most staggering and, at the moment, the most transparent and obvious cost of privatisation. I agree with my hon. Friend the Member for Fife, Central (Mr. McLeish) that the grant represents appalling expenditure on what is, at present, a theoretical system. It will enable dogma to be put into practice.

The structure of the railways will be changed, but the PTEs are doing their best to ensure that their services will continue to operate effectively in the new system, despite the fact that they will find themselves having to pay enormous extra charges. To date, the Government have been prepared to underwrite such charges because they regard the principle of rail services as important. I am not asking the Government to consider whether those charges should be paid, because it is vital to offer those services, but whether the cost of the proposed changed arrangements is worth it. We are worried about the future and I hope that the Minister can allay our fears.

Unless it is not possible for district councils to do so, they will be extremely tempted not to pass on the entire amount of grant that they receive for the provision of rail services. I know how joint services have been provided in former metropolitan county areas, and if there is no statutory rule, the budget has always been determined by that district that wishes to pay the least for those services. Most of the districts are hard up as a result of Government restrictions on local government finance. If councillors were able to decide to use just a little of the money put aside for rail services for their other services, I am sure that they would be strongly tempted to do so. I want to see how the Government will make the sum in question transparent, because unless they do that and make sure that the total sum is passed on, we cannot be sure that the money will automatically go to the PTEs. If they provide those assurances, why change the system? It will simply make life a little more complex for PTEs.

The Government must explain how authorities that normally are subject to capping will escape it when the grant represents a large increase in expenditure. What is the parallel for the end-of-year adjustments that will be made to the grant? The Minister is aware that, by April 1996, he will be in a position to make such adjustments. The RSG system—the Minister's bolt on-system—is not as flexible as the current system. How will he make such end-of-year adjustments according to the new bolt-on system?

Will the Minister underwrite the costs if, as we fear, privatisation and franchising go ahead despite the fact that costs have not stabilised? I know that he has answered those questions in letters to the metropolitan authorities, but we need to hear his answer tonight.

We have said nothing about fares. At the moment, PTEs have the power to set fares and to specify participation in multi-modal ticketing systems for travel within metropolitan areas. Will the Minister confirm that those passenger transport authorities will continue to hold those powers in the future? At the moment, they make important decisions that relate directly to the level of use of a rail service because there is a direct connection between the cost of a fare and passenger use. Will they continue to exercise that power in the future?

If the additional costs arising from rail development are borne by the passenger transport authorities, perhaps the Minister will be willing to explain to us how decisions will be reached on fares, if that is no longer to be the responsibility of those authorities. It is important that the power to determine fares for local services is held locally.

6.57 pm

Ms Glenda Jackson (Hampstead and Highgate): I begin by declaring an interest as the only Member of the House to be sponsored by the train drivers union, the Associated Society of Locomotive Engineers and Firemen, ASLEF.

The metropolitan railway grant is paid by the Government to the six passenger transport executives in England and Strathclyde regional council in Scotland for additional costs which, according to the Department of Transport's special grant report of 5 May 1994, result from

"the restructuring of the railways in Great Britain following the passage of the Railways Act 1993, and the introduction of new charging regimes reflecting re-evaluation of assets, new rates of return to be earned by the railways and revised principles for the attribution of costs amongst different rail services".

As my hon. Friend the Member for Fife, Central (Mr. McLeish) so tellingly said, according to the Department of Transport, restructuring is a euphemism for privatisation. There were at least three more such euphemisms in that quotation from the special grant report.

The metropolitan railway grant has been introduced because of the massive increase in the cost of operating rail services as a result of the introduction of track access charging regimes. In 1993-94, before track access charging was introduced, the public service obligation grant, the grant paid by the Government to British Rail to support socially necessary but non-profit-making services, was £949 million. A year later, with the introduction of track access charging, PSO support had almost doubled, to £1.7 billion. Adding in the metropolitan railway grant payment of £224 million, the introduction of track access charging increased the cost of operating rail services throughout the network by almost £2 billion in a single year.

At present, that money has not been lost to the taxpayer. That is because the PSO grant is paid to the franchising director, who passes the PSO grant to train operators in the form of track subsidy. Train operators then pass the grant on to Railtrack, which, because it remains a nationally owned company, returns that money to the Treasury. That is the money-go-round, as my hon. Friend the Member for Streatham (Mr. Hill) so accurately called it.

However, if Railtrack is privatised, the money paid by the taxpayer in track access charges will pass from the train operators to Railtrack's shareholders. Similarly, if the metropolitan railway grant is axed and local authorities are forced to increase council tax bills to support existing rail services, that money will go to Railtrack's shareholders. Even if the MRG is continued after 1996, it will simply mean that the taxpayer's subsidy will end up in the pockets of the shareholders of Railtrack and the private train operators.

The Government have said that they will provide MRG funding for an additional year, 1995-96, but that, after 1995-96, MRG funding will cease. At that time, any subsidy to support PTE services will be subsumed into the revenue support grant, when it will no longer be ring-fenced. If MRG funding is cut, councils contributing to the PTEs will have to supplement their contribution by increasing council tax bills or cutting services. Neither will be welcomed by the people of the country as a course of action.

It is not as though people are not only too willing to use their railways if the services are there for them so to do. I take the example of the St. Albans-Watford Abbey Flyer. That was a service funded by Hertfordshire county council, which is not part of a passenger transport executive. The council supported a Sunday service much used by the people of St. Albans. The cost of operating that service was £15,000. The council, however, was informed by North London railways in April 1995 that, as a result of the costs imposed by the new track access charging regime, council tax payers would have to find an additional £50,000 if they wanted that Sunday service to continue.

Another example is the electrification of the Bradford-London InterCity route, at a cost of £40 million. On completion of the project, InterCity East Coast found that the new access regime meant that it was uneconomic to run additional electric units, and it was forced to continue to run diesel trains along newly electrified track.

It is vital to the country, not least on environmental grounds, that we are encouraged and facilitated in using our railways, and that there is expansion of the railways. The PTAs have made a valuable contribution to that expansion and to the use of our railway system. They are more than eager to continue to provide that service, but the Government do not appear concerned to help them in that aim. The Government are concerned to break up our existing rail network system in this benighted attempt to privatise. As my hon. Friends said, the support for the Government's proposals among Conservative Members would appear to be nil, because the Conservative Benches are almost empty.

One can understand why Conservative Members would back off from the Conservative Government's proposals for Railtrack. A recent national opinion poll showed that 55 per cent. of the Conservative party's supporters oppose rail privatisation, one in six Conservative supporters are considering abandoning the party on that issue alone and 42 per cent. of Conservative supporters believe that services will become worse after privatisation.

Overall, 69 per cent. of all those questioned said that they opposed the selling off of our railways. That is the opinion of the majority of people in this country. The excesses which, as my hon. Friend the Member for Fife, Central said, the Government have entered into in spending a quarter of a billion pounds on increasing the metropolitan railway grant—not to provide better services to the travelling public, not to support overstretched metropolitan authorities, but simply to fatten up our railway services for privatisation—is something that we should vote against.

7.3 pm

Mr. Watts: In their speeches, the hon. Member for Fife, Central (Mr. McLeish) and several of his hon. Friends appeared to be under the misconception that new costs, and indeed new money, were involved in the arrangements. The figure of a quarter of a billion pounds was bandied about.

That is not the case. The costs were always there. It always cost money to provide the infrastructure over which services ran and to provide rolling stock. In the old arrangements, those costs were hidden, and covered by cross-subsidies. In the new structure of the railway, the various elements of costs are identified and attributed where they fall.

That applies to the instance cited by the hon. Member for Hampstead and Highgate (Ms Jackson). The costs of running the service supported, I think, by St. Albans, were always there, but effectively they were covered by the subsidy from general taxpayers, not by those for whom the additional service was provided.

Mr. McLeish: That is an ingenious method of trying to camouflage the real costs. Is the Minister arguing that, in the old system, the quarter of a billion pounds worth of costs to which he is now contributing was lost in the system, and a generous British Rail picked up the bill for all those costs? That seems astonishing, but I shall leave the proposition to discover whether the Minister agrees.

Mr. Watts: What happened was that the costs of the use of the track, for example, were being, I suppose, attributed to other operating units within British Rail. They were not being attributed to PTE services. In a sense, it did not matter. That was all simply taxpayers' money being put in and there was no intention in the industry to identify what anything cost. The purpose of the restructuring is to ensure that there is transparency—I shall discuss transparency in the matter of grant later—so that costs can be identified and attributed where they belong.

Mr. McLeish: There has been talk that the public service obligation grant nearly doubled; the increase in the metropolitan railway grant is now a quarter of a billion pounds extra. Are we to believe that those figures are not a cost to the taxpayer? Are we to believe that, before the so-called restructuring, all those costs were there but hidden, or paid for by some benevolent despot sitting in British Rail? That must be nonsense.

We are witnessing—as the Minister will surely agree—a naked attempt to fatten up certain elements of British Rail for the private sector and the creation of an artificial internal market, being supported by my money and the taxpayers of Britain. Is not that the case?

Mr. Watts: No, that is not the case. The costs were always there. The way in which they have been accounted for has changed, so that they are identified separately and can be attributed properly.

The hon. Gentleman asked me about costs for the future. In future years, as I believe I said in an intervention in the speech of the hon. Member for Morley and Leeds, South (Mr. Gunnell), the funding that is being provided through metropolitan railway grant will be continued into the new bolt-on revenue support grant enhancement. The difference is in the method of distribution, which will be through the revenue support grant mechanism, not by direct grant from my Department.

I found it unusual to hear Opposition Members argue that central Government should have more control and more direction of the way in which local government spends money. I understand the anxieties that some Labour Members may have that the constituent authorities of PTAs might not spend railway money on railway services. As I believe that the Labour party controls most of those authorities, if Labour Members have those anxieties, I suggest that that is a matter for the brethren to take up among themselves. I find it extraordinary that that argument should be deployed in this debate.

The hon. Members for Fife, Central and for Morley and Leeds, South raised issues that have been the subject of detailed discussion, correspondence and meetings between myself and my officials and the members of the PTAs and PTEs.

The first of those issues, to which I referred earlier, involves transparency. Due to the way in which the grant is to be paid in future, through the revenue support grant, the members of the PTAs and PTEs, quite reasonably, want to know whether there is a way in which that funding can still be identified so that they can argue their corner with the mean-spirited Labour authorities, to ensure that the money being provided by taxpayers to support passenger services in the metropolitan areas is fed through to the PTEs so that the services can continue. We had discussions and correspondence on the subject. Councillor Dowd, on behalf of the members of the Association of Metropolitan Authorities' PTA committee, agreed with me that the detail of how to achieve that aim could be left to officials to determine. We had agreed on the principles by which it would be done. My understanding is that the authorities are satisfied that a method can be found. Our undertaking is that we shall advise each PTA and each of its constituent authorities of the precise amount provided to them through the bolt-on enhancement for their rail services.

A more important concern is whether the continued funding will be adequate. I believe that, through the way in which MRG has been developed, we have found a way of identifying the additional costs of restructuring or in preparation for privatisation—I am not shy of using that word. As has been said, at the end of the financial year we are able to make any adjustments necessary to arrive at the precise level of grant that should be paid in respect of those additional charges.

This financial year is one in which we have reached a steady state on charging. The regulator has completed his review of track access charges and told Railtrack the amount by which those charges must be reduced this year and in ensuing years. Therefore, that major element of cost is settled. Similarly, as contracts for the leasing of rolling stock between the rolling stock companies and the train operating companies are in place, those costs are determined. The PTEs and the franchising director will be entering into contracts with train operators to supply the specified services. For all those reasons, I believe that we shall have reached a steady state. We have also agreed that, if significant additional costs arise and are identified, we shall take steps to make good that shortfall. I gave that undertaking in a letter dated 30 June this year to Councillor Dowd.

Mr. McLeish: While I accept the Minister's assurances that he is trying to work out a formula to ensure that the PTAs will be in no worse a position in future, I cannot resist the temptation to ask a final question. If the metropolitan railway grant costs £350 million this year, is it right that the Government are willing to spend £2 billion over the next five years to support the so-called restructuring of the industry? That restructuring will produce no extra services, but will fatten up the elements of British Rail, as my hon. Friends have suggested.

Mr. Watts: I do not recognise the figures that the hon. Gentleman is using. In 1994-95, MRG amounted to £146 million for the PTEs. In 1995-96, the figure is £145 million, or £103 million net of the payments under deeds of assumption. I am willing to give the hon. Gentleman the assurance that we intend to continue funding PTEs at that level, so that they can continue to provide the services that are provided now.

[Mr. Watts]

We reached an early and amicable agreement with representatives of the PTAs on matters of principle. I do not think that they are left with any doubts about the good faith of the assurances that I have given to them in meetings and letters, and which I have been happy to repeat. We shall work together constructively to ensure that the mechanisms are in place to deliver what I have undertaken to do.

Clearly, with the substantial sums involved in the grants—whether we use the figures of the hon. Member for Fife, Central or the ones that I have given—there is a justifiable concern that, if no adjustment is made to the capping regime and the authorities merely do what they should and pass on the money so that rail services can be provided, they could end up with capping difficulties. I have had discussions with my colleagues in the Department of the Environment and there is agreement that there will be an adjustment in the capping regime to take account of the extra funding being provided to the constituent authorities of the PTAs. As a consequence, they will be in no better or no worse a position as regards capping.

I have had further and recent correspondence with my hon. Friend the Minister for Local Government, Housing and Urban Regeneration following the most recent letter from Councillor Dowd. We are in the process of agreeing that an adjustment can be made to capping principles to reflect any further identified costs that arise in 1996-97. We have gone as far as the PTAs have asked us to do in meeting their concerns. I continue to be ready to discuss any matters that cause them concern. We wish PTAs to continue to fulfil the important role that they play in the provision of passenger rail services. We do not wish any matters of detail to stand in their way.

The hon. Member for Streatham (Mr. Hill) said that track access charges go straight into the pockets of Railtrack shareholders. He is assuming a heavy rate of profit. The major part of track access charges will be used to fund the running costs and the track repairs and, importantly, to provide the funds for investment in the core network, to maintain its integrity.

Hon. Members who were here for the debate last week will recall that I explained that the rail regulator had agreed on a track access charging regime to ensure that Railtrack had funding of about £600 million available for reinvestment. A small element that represents profit will go to the company, and it may distribute it to its shareholders. But it is a gross exaggeration to suggest that a figure of anything like a quarter of a billion pounds will end up in the pockets of shareholders.

The hon. Member for North Cornwall (Mr. Tyler) asked me about the withdrawal of the Manchester PTE on the instructions of its PTA. I have had no explanation from the PTA about why it made that decision. Of more importance is the fact that that decision will have no impact on the services provided for passengers. If Manchester thinks that it can take its ball away, it will quickly find that it does not own the ball; it is my ball and I shall take it away and give it to the franchising director. He will act, in place of the PTE, on behalf of passengers if the PTA does not wish to continue to participate.

The hon. Member for Morley and Leeds, South asked me about the fare-setting powers of PTEs. Those are not affected because, under the arrangements, PTEs continue to take the revenue risk and the grant regime covers the increased costs that they incur. The hon. Gentleman also asked why more of my right hon. and hon. Friends were not present in the Chamber. There is a simple answer to that question: they have confidence both in the arrangements that we are putting in place and in the skill of the experienced members of the PTAs, who I assure the House are very good at fighting their corner and defending their position.

One reason for moving away from MRG to distribution via the revenue support grant is that, if we stuck with MRG, it would have the effect of ossifying the services that are provided. We would continue to have to look back to costs that were incurred in 1993-94 and to compare them with current costs. Through the move to the revenue support grant as the main support mechanism, PTAs and PTEs will regain the flexibility that they had, prior to restructuring, to make changes to the services that they provide, but within the same quantum of available funding.

I hope that I have allayed the concerns that hon. Members have expressed on behalf of the PTAs and on their own behalf. I assure the hon. Member for Morley and Leeds, South that I shall write to him about the fairly detailed financial points that he raised concerning the breakdown of the budget of the PTE in his area. I would rather do that than conjure figures out of the air. I hope that the House will approve the motion.

Question put and agreed to.

Resolved,

That the Special Grant Report (No. 15) (Metropolitan Railway Grant 1995-96) (House of Commons Paper No. 470), which was laid before this House on 14th June be approved.

Sea Fisheries

7.21 pm

The Minister of State, Ministry of Agriculture, Fisheries and Food (Mr. Tony Baldry): I beg to move,

That the Fishing Vessels (Safety Improvements) (Grants) Scheme 1995 (S.I., 1995, No. 1609), dated 28th June 1995, a copy of which was laid before this House on 28th June, be approved.

Madam Deputy Speaker (Dame Janet Fookes): I understand that with this, it will be convenient to discuss the following motion:

That the Fishing Vessels (Decommissioning) Scheme 1995 (S.I., 1995, No. 1610), dated 4th July 1995, a copy of which was laid before this House on 4th July, be approved.

Mr. Baldry: This is the first occasion on which I have opened a debate on fisheries since moving to my new position as Minister with responsibility for fisheries. I am glad to take over that important responsibility from my hon. Friend the Member for Fylde (Mr. Jack). He gained a lofty reputation for the care and skill that he devoted to the interests of the fishing industry and I hope to sustain that standard during my tenure in office. I also hope to maintain close contact with the industry and with hon. Members on both sides of the House who have particular interests in the fishing industry.

I appreciate that the industry faces some challenges and I recognise that hon. Members on both sides of the House are concerned about their constituents who are involved in the industry. Fishing is an important industry, which makes an important contribution to the economy of the coastal areas around fishing ports. It is also a hazardous industry, and we all respect the fishermen who go out in all weather to bring in the much needed catches.

I am glad that today's debate gives me an early opportunity to hear the views of right hon. and hon. Members at first hand. It also has the more immediate value of allowing me to introduce the 1995-96 decommissioning scheme. The importance of decommissioning is very clear. Yesterday I had my first meeting with the fishing industry when I visited Grimsby and met representatives of the national fishing organisations from all over the country. They are in no doubt that overcapacity lies at the root of many of the industry's problems.

Striking a better balance between capacity, the quotas and other fishing opportunities will make our industry more efficient and viable. The need to tackle overcapacity is also recognised in our obligations under the European Union multi-annual guidance programme targets. The decommissioning schemes that have been in place for the past two years—and which will continue for three more years—are designed to make a key contribution to achieving the targets.

Mr. Alex Salmond (Banff and Buchan): I welcome the new Minister to his post and I offer him an early opportunity to make a name for himself. He will have noticed from the scheme that one part of the decommissioning proposals excludes shell fishermen from taking advantage of the new scheme. Does he concede that that exclusion might have the perverse effect of encouraging shell fishermen to diversify into whitefish stocks in order to qualify for the next decommissioning tranche? That is a possible, if not probable, outcome of the measure that is before us. Will the Minister re-examine that aspect of the scheme, bearing in mind the fact that, as he is new to his post, he will be willing to listen and consult about such matters?

Mr. Baldry: I am grateful to the hon. Gentleman for his kind comments. As he knows, the multi-annual guidance programme was divided into 10 segments. We have met our obligations under some of those segments, including the nephrops and shellfish segment. I am conscious of the fact that vessels could move between different segments and that each year we will have to examine the various segments and take measures that are appropriate in that year. But we have met our obligations for the nephrops segment and, as I shall explain in greater detail later, it would not be sensible to spend money on a segment when we have already met our commitments in that regard.

Mr. Archy Kirkwood (Roxburgh and Berwickshire): That is an extremely important point in the debate. The Minister must accept—I think that he has accepted it implicitly—that the nephrops prawn fishery is interchangeable with some of the pressurised whitefish stocks. Although he is unable to make any changes because the orders for the 1995 scheme cannot be amended, did I detect a slight opening of the door with regard to a change in the exemption for 1996?

Mr. Baldry: That was both implicit and explicit in what I said. Each year one has to gauge the progress that one has made in relation to the scheme. At present, we have met our commitments for the nephrops segment and so this year it does not make sense to spend money on that segment. The hon. Gentleman and I cannot predict what might happen in future and therefore one must respond to matters as they develop year after year.

Mrs. Jacqui Lait (Hastings and Rye): I add my congratulations to those of other hon. Members on the Minister's appearance at the Dispatch Box in his new role. I hope that he will visit the inshore fishermen at Hastings and Rye.

My hon. Friend may be aware that most of the vessels in the Hastings fleet are smaller than 10 m. According to the National Federation of Fishermen's Organisations, there is an 11.7 per cent. overcapacity in that sector. Will my hon. Friend confirm whether he has any proposals to assist vessels that are smaller than 10 m?

Mr. Baldry: We are assisting those vessels that are set out in the scheme. There is a finite amount of money; I am sure that that is self-evident. We must use that money as best we can to take out capacity where we believe that that can best be achieved. That is why the scheme is described in its current terms. My hon. Friend can rest assured that I look forward to visiting Hastings and meeting with industry representatives to hear the problems of the inshore fishermen and to consider whether any more assistance can be provided for them.

Decommissioning is not a cheap option and we must ensure that we get good value for what we spend. The MAGP target requires a 19 per cent. reduction in the base line set for 1991. We initially committed £25 million to decommissioning. The first two schemes have shown that we can achieve worthwhile reductions in capacity. So far, we have taken out 297 vessels, representing more than 10,000 tonnes or 4.6 per cent. of the fleet.

[Mr. Baldry]

This year, and for the next two years, we will increase the amount available each year by 50 per cent. to £12 million. That should increase the impact of the scheme substantially and the licence aggregation penalties should contribute further to the target. We are also looking carefully at the accuracy of the fleet register to ensure that it represents active fishing vessels. With all of those contributions, I am sure that we will make good—and, I hope, faster—progress towards the MAGP targets.

Mr. Nick Ainger (Pembroke): Can the Minister assure the House that with the additional money for decommissioning, the MAGP for 1996 will be met? If not, what is he going to do about it? If we do not meet those targets, which are to be enforced by the EU, the British fishing industry will face a disaster in 1996—it will have to make sudden and massive reductions.

Mr. Baldry: It is premature to speculate about the position that we will reach. Our determination to make good progress is demonstrated by the increase in funds from £25 million to £53 million—significant sums of money. But we need at the same time to be ready to back up the fleet reduction with the necessary controls and quota management measures. Quotas must be managed effectively, along with the various technical conservation measures on gear types, net sizes, minimum landing sizes, closed areas and so on. There must also be proper enforcement so that fishermen of all member states comply with these rules. I already know from my conversations with the industry the justifiable strength of feeling that there need to be uniform standards for all. Progress has been made on that, and I aim to ensure that we keep up the pressure to make further headway.

An important aspect of decommissioning is that we want it to contribute to a reduction in fishing effort. It is the reduction in effort which in future years will bring dividends for our fishermen, with increased fish stocks and the potential for bigger quotas. For that reason, we shall continue to monitor the fishing effort of the fleet remaining after decommissioning. If it became evident that the effort was increasing, and so undoing the benefits of decommissioning, we would need to take action to contain effort. We made that clear when we introduced the 1994-95 scheme; and the signs so far are that there has been a real reduction in effort.

The 1995-96 scheme is similar to its predecessors in providing for a tendering system to ensure best value for money and in continuing the requirements for permanent scrapping and the surrender of licences. The main criteria for eligibility are also unchanged; that is to say, vessels must be seaworthy, over 10 m in overall length, over 10 years old and, of course, UK-registered and licensed.

We retain the requirement that vessels must have spent at least 100 days at sea on fishing trips in each of the past two years. This ensures that we are spending money decommissioning vessels which are genuinely active. There is little point in taking out vessels which scarcely fish. In calculating days fishing, we have provided for account to be taken of fishing in Norwegian waters south of 62 deg north. That reflects the wishes of the industry and is reasonable, given that such fishing is, in effect, on a par with fishing in Community waters. Distant-water fishing remains excluded because the distant-water fleet has already achieved its MAGP target.

We have reviewed the licence eligibility for this year's scheme in the light of changes to the licensing regime introduced earlier this year. Instead of a requirement to hold a full pressure stock licence, we have decided to widen eligibility to vessels holding most other whitefish licences. That reflects the fact that some of these stocks, which were not considered to be full pressure stocks, are now facing difficulties—reinforcing the need for a reduction in fishing effort.

An important part of securing good value from this scheme is to ensure that it is correctly targeted on the right segments of the fleet. For the setting of MAGP targets, the fleet is divided into 10 distinct segments. Some segments of the fleet either have achieved or can be expected to achieve the targets without further intervention. The distant-water fleet and the under-10 m vessel segment, which my hon. Friend the Member for Hastings and Rye (Mrs. Lait) mentioned, were excluded from eligibility last year for this reason. Because the target for nephrops vessels has also now been met we have decided that they too should be excluded from this year's scheme. It would not be right to use funds from this scheme to decommission vessels in a segment that has already achieved its target.

The Government do, however, recognise that there are particular structural problems in Northern Ireland, where over 50 per cent. of the fleet consists of nephrops vessels and over 50 per cent. of these are more than 30 years of age. In view of these structural problems, my noble Friend Baroness Denton, the Northern Ireland Fisheries Minister, is proposing to introduce a separate Northern Ireland scheme with the objective of tackling the particular structural problems in the Northern Irish nephrops fleet. Details will be announced as soon as the scheme has been finalised.

Mr. Calum Macdonald (Western Isles): Will the Minister also consider the Western Isles and west coast nephrops fleet, which has a profile very similar to that of the Northern Irish fleet, being heavily dominated by the nephrops fisheries? The majority of the boats are over 30 years of age. As the Government have recognised that the nephrops fleet has met its targets, would it not be right and sensible now to introduce a scheme allowing for the modernisation of that fleet?

Mr. Baldry: It is entirely understandable that the hon. Gentleman should argue that case on behalf of his constituents. I have to consider the fact that there is a finite sum of money, which has to be used as effectively as possible. The simple fact is that in respect of certain segments—under-10 m, distant-water and nephrops fleets—we have met the requirements; and I could not therefore justify spending more money on those segments.

As I have said, my noble Friend intends to implement a separate Northern Ireland scheme that reflects the structural problems of its fleet.

Mr. James Molyneaux (Lagan Valley): I join others in congratulating the Minister on his appointment. I hope that we will have many brisk exchanges across the Floor of the House. I welcome what he has just said about Northern Ireland. While I am by no means hostile to the claims of the Scottish fishermen and their representatives here in this House, I would like to thank the Minister and his noble Friend for their efforts. Given the special problems of Northern Ireland, slightly different as they are from those

just referred to, we are most grateful. It will give great encouragement to, and be much appreciated by, the hard-working fishermen of Northern Ireland.

Mr. Baldry: I am grateful for the right hon. Gentleman's comments. I hope too that we will maintain a brisk dialogue. I hope that throughout the House there will be great understanding of an industry that faces a great many challenges that we want to try to meet together.

For each of the 1993 and 1994 schemes we made it clear that once a vessel had been accepted for decommissioning, we would expect decommissioning to go ahead. If a vessel owner failed to stand by the commitment, the vessel would be excluded from the next scheme. This rule was adopted to discourage speculative bids which were in practice unlikely to be carried through. Too many such bids would disrupt the scheme and make it difficult to manage.

We are continuing with this rule. However, after one year's exclusion from the scheme we think it right to allow a vessel to be re-entered. This is to take account of the fact that circumstances can change. A vessel might, for example, have a new owner, or business circumstances could be quite different. This means that a vessel which was accepted for decommissioning in 1993 but was withdrawn from the scheme can now be entered again in 1995. This provision will affect only a few cases, but I hope that it will be seen as a useful sign of our wish to be flexible.

I should like to say a word about the implications of the increased amount available for decommissioning this year. We have £12 million, and we intend that it should enable a substantially increased number of vessels to be decommissioned. The tendering system that we have used is well understood by fishermen and we have seen that it can give good value for money. We shall be looking at the bids carefully this year and will not accept bids unless they give good value. If necessary, we reserve the right to spend less than the full amount available. The residue could then be used for a second tender later in the year.

I am sure we will get a good response, with competitive bids. But we have the option to have a second round if that seems likely to give better value. The closing date for applications is 8 September 1995 and application forms will soon be available in local fishery offices.

I now turn to the second scheme, concerning fishing vessel safety grants. Safety at sea is a matter of deep concern to all who are involved with the fishing industry. It is a hazardous industry and I am pleased that we have a grant scheme which can help somewhat towards ensuring the safety of fishermen.

Dr. Norman A. Godman (Greenock and Port Glasgow): Will the Minister confirm that, under the terms of the grants scheme, an owner of a vessel can purchase survival suits for all the members of his crew or crews, and that the grant will cover the total cost of such a purchase? I am not talking here about survival suits that can be worn while fishermen go about their work, but about those suits in which, following the foundering or capsizing of a vessel, men can survive for several hours. I want to say something about this later, but I seek an assurance from the Minister that the safety improvements grants scheme will allow for the purchase of such essential safety equipment.

Mr. Baldry: The grant is available for equipment which is necessary in order to obtain the safety certificate. I shall come to the hon. Gentleman's point, but one must understand the genesis of the scheme.

The new scheme replaces the 1993 scheme and applies to fishing vessels which have to obtain a Department of Transport safety certificate under the Fishing Vessel (Safety Provisions) Rules 1975. The new scheme follows the 1993 scheme in that grant will be available for meeting the requirements of the Department of Transport's safety certificate which applies to vessels with a registered length of 12 m or over. Grant will be available for equipment which is necessary to obtain the safety certificate. That includes life rafts, UHF radios, rockets, flares and radio beacons which broadcast the position of a vessel if it founders. Those are all important for safety although I do not pretend that it is an exclusive list.

The Marine Safety Agency continues to investigate practical solutions to the problems of effective in-water thermal protection for fishermen in the event of falls overboard or evacuation. In connection with falls overboard, the Marine Safety Agency has established a minimum specification for a constant-wear buoyancy aid which, in conjunction with other measures, will improve a fisherman's chances of survival until a recovery from the water. The agency is at present conducting trials of such aids, but it is not necessary to have such aids to fulfil the requirements of the safety certificate. For those reasons, the answer to the hon. Gentleman's question is no.

The scheme has been modified so that items such as engines and structural work will no longer be eligible for assistance. Those are not safety requirements in the usual sense. One needs to understand that this is a grant with a specific focus. It seeks to ensure that vessels meet the requirements of the Department of Transport's safety certificate.

Dr. Godman: The Minister himself said that the safety of our fishermen is an important matter and I readily take his point that the primary responsibility for the occupational safety of our fishermen lies with the Department of Transport. But despite his regrettable answer, fishing vessels from certain other member states of the European Union are not allowed to put to sea unless they carry a survival suit for each member of the crew. Surely that is what we should be aiming for in the United Kingdom.

Mr. Baldry: When I met representatives of the industry yesterday I made it clear that I hoped that we would meet at regular intervals. When I was in the Department of the Environment and had responsibility, among other things, for the construction industry, I had meetings with its representatives every three weeks and sometimes more often. During the course of those meetings we regularly discussed a range of subjects. I have no doubt that one of the subjects that the industry will wish to discuss with me is safety in all its aspects.

I make no specific response to the hon. Gentleman's point, but there is a broader aspect. One of the points representatives of the industry made to me yesterday is that they are concerned about the weight of regulation that is bearing down on the industry. The temptation to take the totality of all the regulations of every other EU member state and say that they should apply in the United Kingdom would place an intolerable burden on the industry.

[Mr. Baldry]

If there are concerns about aspects of safety, of course it is important to consider them. But within the context of the scheme and the money that is being made available, I am sure that the House and the industry will welcome the extra money for safety targeted at the specific purpose of ensuring that vessels meet the requirements of the Department of Transport's safety certificate.

Mr. Ainger: I accept that the scheme concerns vessels of more than 12 m, but the Minister will know that the industry is concerned about vessels of under 12 m. In letters that I exchanged with his predecessor, the impression was that the Government were considering that and recognised that there was a problem in that area. Can he assure the House that he will continue to consider the matter and possibly bring forward a scheme to assist vessels of under 12 m?

Mr. Baldry: The 1975 safety code does not require significant safety measures for vessels under 12 m. Once the new safety code for those vessels is finalised, of course I shall consider carefully whether there are any implications for the safety grant scheme. I hope that the hon. Gentleman and the industry will be reassured by that.

Grant rates are unchanged. Vessels between 12 m and 33 m will receive 30 per cent. and those above 33 m, 10 per cent. In due course, some of those eligible under the present national scheme will be able instead to receive EC grant for safety work under the Fisheries and Aquaculture Structures (Grants) Regulations 1995 which will implement the European Commission's financial instrument for fisheries guidance. Those regulations will provide EC grant for exactly the same purposes as the national safety improvement scheme.

I hope to make an announcement about the EC grants as soon as the detailed financial and administrative arrangements have been finalised. However, until the EC scheme is launched all applications will be considered for grant under the motion that we are discussing today. That means that we can thereby avoid any delay in providing assistance to the industry for safety works. The scheme will operate until the end of 1999. It demonstrates the Government's commitment to make fishing a safer occupation for all those who take considerable risk to supply us with fish for our tables.

I hope that the House will agree that the two schemes represent useful measures providing real benefits for fishermen and the fishing industry. They demonstrate the Government's commitment to the fishing industry and our desire to put it on a sounder and safer footing for the future. I commend the motions to the House.

7.47 pm

Mr. Elliot Morley (Glanford and Scunthorpe): I, too, welcome the Minister to his first debate on the fishing industry. I am sure that, from the representations that he will already have had from the industry and those Members who represent fishing interests, he will be aware of the problems that the industry has been facing. As a new Minister with a new team, he has an opportunity to take a fresh look at some of those problems, and I hope that he does so.

The Opposition clearly support the way in which the instrument dealing with the safety grant is structured. In particular, I endorse the sensible points made by my hon. Friend the Member for Greenock and Port Glasgow (Dr. Godman) about flotation suits. With his family connections with the industry, he will know of their importance, and of the risks that fishermen take.

It is strange that flotation suits made by British companies are exported to Canada because it is compulsory for Canadian fishing boats to have such equipment, yet apparently such equipment is not eligible for grant under the scheme. I am glad that the Minister says that the matter is being considered, but the issue has been raised for a number of years now. I wonder how long it takes to make a decision. I should say, for the record, that the company that makes the suits is in Scunthorpe, so I have an interest.

The Minister must be aware of the years of delay that elapsed before the introduction of the scheme. To be fair, hon. Members on both sides of the House have pressed the Minister about the need for a decommissioning scheme at a time when the fishing fleets of other member states have benefited from such schemes. I believe that it all goes back to the mistakes that were made in the decommissioning of the Humber deep-sea fleet. The trauma that the right hon. Member for Suffolk, Coastal (Mr. Gummer) seems to have suffered as a result of those mistakes has pervaded the Ministry, and has made the introduction of a scheme difficult.

Mr. Austin Mitchell (Great Grimsby): I think my hon. Friend will agree that the Government and the fishing industry would not be in their present position if the Government had listened earlier to our advocacy of a decommissioning scheme. The Minister will be able to avoid numerous problems now if he listens to our further proposal that the scheme should pay compensation to fishermen who lose their jobs—for they will be out of work as surely as the fishing vessels. We also propose that the money should become not just a dole or burial grant to make room for Spanish vessels, but a means of restructuring the industry to make it more efficient and effective.

Mr. Morley: My hon. Friend has made his points consistently for many years, and previous Ministers would have done well to listen to them.

The Government's increase in the decommissioning grant followed the risk of a rebellion in January. That was the most expensive vote in the House for some time, but the money was welcome as far as it went. Nevertheless, having accepted the arguments about the need for the decommissioning scheme to make progress, the Government would surely have done better to accelerate the provision of existing funds rather than spreading them over a number of years, in order to make progress in the reduction of fleet capacity and the meeting of multi-annual guidance programme targets.

I wish to raise four important points. The first is the one I have just made about the need to accelerate the scheme. The Minister's reference to the possibility of a second round if money is available this year is welcome, but I feel that, in future, the scheme should be front-loaded to provide the money as quickly as possible. Secondly, the scheme should be linked with structural aid for communities, as my hon. Friend the Member for Great Grimsby (Mr. Mitchell) pointed out. Thirdly, the effect on the boat-building sector should be recognised; and, fourthly, the rules should be reviewed.

The lack of progress has been mentioned several times to the Minister. Our fishing fleet has been at a severe disadvantage as a result of the delay. Our fleet is aging, and while we remain so far from our MAGP targets, no grants for rebuilding are available from the European Commission—hence the problems facing the shipbuilding industry.

Figures provided by the Scottish Fishermen's Federation show how far we have fallen behind in the utilisation of European structural grants. The federation points out that, since the beginning of decommissioning, Spain has received £208 million and France £55.3 million, while United Kingdom fleets have received £19.15 million—2.8 per cent. of the total.

That is a very small amount. It hardly puts our country's interests first, and it certainly does not demonstrate that the Government put those interests at the heart of Europe. Other countries are getting a far better deal, mainly because they are not so slow in making their contribution to European grants, and because they have been less negative about working within the European Union.

Secondly, we must recognise the effect of decommissioning on communities that depend on the fishing industry, such as in Northern Ireland, parts of Scotland and, indeed, Grimsby. Decommissioning affects not just direct but indirect employment, especially in the fishery supply industry. There are schemes such as Pesca, but that is a modest programme.

There are also schemes such as objective 1 and objective 5b. As the Minister will know from his time in the Department of the Environment, however, those schemes depend on contributions from local government—and, in the present circumstances, local government finances are far too tight. I know that the Minister has received representations from local authorities about that.

The Commission has proposed socio-economic measures that would allow early retirement schemes for fishermen, but the Government's response has been very negative. The Minister should recognise that fishing crews of decommissioned boats should be given support.

That brings me to my third point: the effect on boat building. I know that the Minister has recieved representations from the boat-building industry, and I urge him to pay careful attention to them. I believe that there is a case for a "scrap-and-build" scheme within the licence aggregation policy, which aims to reduce capacity. The industry is willing to discuss the possibility of such a scheme. I hope that the Minister recognises the pressure on that industry, and the fact that many parts of industry depend on it for jobs. I particularly hope that he will reconsider the rule that requires scrapping of vessels.

As I have said in previous debates, there is a demand for decommissioned boats, particularly in developing countries. I have told the Ministry that private interests in Sri Lanka are willing to enter into a scheme to obtain such boats; I also know that aid agencies in Mozambique would be willing to use them as part of an overseas aid programme. That could involve refitting in boat yards, and provide jobs as part of an Overseas Development Administration scheme.

I see no logic in scrapping the boats. As the Minister knows, now that the licensing schemes are in place, there is little chance of decommissioned boats returning to the fleet and causing the problems with which scrapping is intended to deal. I shall write to the Minister again, so that he can consult the ODA about whether such a scheme is feasible.

Fourthly, a number of concerns have been expressed about the rules of application of the scheme. I shall concentrate on one, which involves the use of fleet segmentation and the exclusion of nephrops trawlers in the current round. That has been raised by Conservative Members. The logic is very shaky; it is based on the use of segmentation as an adminstrative tool.

The Minister must be aware that most boats involved in nephrops fishing are involved in a mixed fishery. Northern Ireland and the Western Isles have particular problems. I welcome the fact that a special scheme is being considered for Northern Ireland, but the Minister should also consider the Western Isles, where 90 per cent. of the fleet is involved in nephrops fishing. Why should the whitefish and nephrops sectors not be combined? The two types of boat tend to be involved in the same fishery.

The Minister should also reconsider the one-year cut-off for the reference period, which is unduly restrictive. Many of the boats have been fishing for whitefish over a three-year period. Such an approach would encourage nephrops boats to pursue whitefish fisheries even more, just as a form of guarantee.

If the Ministry accepts that the nephrops sector has reached its targets under the European Union rules, should not that sector reapply for building grants and restructuring aid? If he is still excluding that sector from grant applications, there is no logic in excluding it from applying for the decommissioning scheme. I hope that he gives some thought to that as well.

The whole point of decommissioning can be seen only as part of an overall fishing strategy. The problem is that this Government do not seem to have such a strategy. What we have within the common fisheries policy is deeply flawed and does not enjoy the fishing industry's support, as I am sure the Minister will have heard.

The time is well overdue for a fundamental review of the CFP. Labour Members are fully committed to that, although we will continue to argue not only for a generous, effective and efficient decommissioning scheme, but for an overall strategy that guarantees a sustainable fishing industry and the future of our fishing communities around our coast, because nothing less will be acceptable.

8 pm

Mr. David Harris (St. Ives): I join others in welcoming not just my hon. Friend the Minister of State, but other Ministers who have taken over responsibility for fishing in Scotland and in Northern Ireland. In doing so, I pay tribute, as I did at Question Time the other day, to the previous Minister of State, my hon. Friend the Member for Fylde (Mr. Jack), who did a marvellous job in transforming relationships between the Government and the industry, especially by his open-door policy, and by the way in which he did his utmost to rebuild relationships between Whitehall and fishermen's organisations.

I pay tribute also to my hon. Friend the Member for Dumfries (Sir H. Monro).

Mr. Baldry: Our right hon. Friend.

Mr. Harris: I beg his pardon. I pay tribute to my right hon. Friend the Member for Dumfries. It is nice to see

[Mr. Harris]

him back on the Back Benches. I am sure that in some ways he is relieved to be here, and I look forward to his taking part again, as he always did in the past, in fishing debates.

There has been a change in personnel outside Whitehall. The chief executive of the National Federation of Fishermen's Organisations, Mr. Richard Banks, has left that post. I am sure that I speak for all the English Members in saying how much we value all the help he gave us, and that we welcome his successor, Mr. Barrie Deas, to that important post.

I was delighted to hear my hon. Friend the Minister of State say that yesterday he visited the National Federation of Fishermen's Organisations. Again I speak for all Members who have the honour to represent fishing constituencies and ports when I say that we all lean heavily on fishing organisations and the NFFO, and I am sure that Scottish colleagues do likewise with the Scottish Fishermen's Federation. If there are common threads running through our speeches, perhaps, sparing their blushes, some of those threads have been spun by those fishing organisations.

Mr. Paul Tyler (North Cornwall): I am especially grateful to the hon. Gentleman for giving way so early in his speech, and I endorse what he said not just about the Minister, but about the change of personnel in the National Federation of Fishermen's Organisations. In view of the hon. Member's previous trenchant criticisms of the tie-up provision that still hangs over the industry, does he agree that the best possible compliment that the new Minister could pay to the NFFO would be permanently to remove that sword of Damocles from over its head?

Mr. Harris: Yes. I said just as much at Question Time last week, when I told my hon. Friend—I followed this up in private discussions with him last week—that that was what I personally thought should happen.

The first of the statutory instruments before us today relates to safety improvement grants. After receiving representations from Elizabeth Stevenson, secretary of the Cornish Fish Producers Organisation, I wrote to the Minister's predecessor about one aspect of the statutory instrument: the exclusion for grant purposes of any work done on fishing boats of a structural nature.

I was interested to hear what my hon. Friend said on that point, but I ask him to reconsider it, bearing in mind the fact that some structural work is directly related to safety measures. I refer especially to such fixtures on boats as shelter decks, wheelhouses and other structural aspects of a vessel which enhance the safety of the vessel and the fishermen who sail it.

Of course, our main attention tonight must be on the second statutory instrument, relating to decommissioning. I agree with what the hon. Member for Glanford and Scunthorpe (Mr. Morley) said, when he briefly reviewed the history of the decommissioning issue. I well remember the campaign that hon. Members on both sides of the House fought, joining forces.

I remember in particular the contributions in that regard of the late Alick Buchanan-Smith. We urged, pressed and kicked the Government on that issue, because those who represent fishing constituencies all recognised that decommissioning had a vital role to play in trying to achieve the essential balance between capacity and availability of stocks.

Of course, decommissioning is not the complete answer, and it is certainly not a panacea. No magic wand can be waved that will suddenly make all the deep-seated problems of the industry disappear. There are dangers in too much reliance on decommissioning. If some boats are taken out without controls on the fishing effort of those that are left in the industry, we will be back to square one, but decommissioning is an essential component in a package of measures, and I am delighted that, belatedly, the Government have recognised that. Perhaps it took the threat or, in my case, the actual event of a revolt on these Benches, to bring about an increase in the amount of money available for the decommissioning scheme.

The decommissioning scheme brings certain problems, and I support the points that have been made by the Opposition spokesman and that will no doubt be made by others on the exclusion of the prawn boats. The Minister must reconsider that, and the segmented approach. I understand the reasons that he has given, but frankly, I am not convinced by them.

The points about the unfortunate effect in recent years on the boat-building industry are valid. Perhaps the question of an aging fleet is the most important. In some parts of the country, including some ports in the south-west, the fleet is geriatric, as you, Madam Deputy Speaker, know, because you are no stranger to some of those fishing ports, particularly the Barbican. The way in which our fleet has aged is extremely worrying. While controlling capacity, we must find a sensible way of improving the age profile of the fleet. That is essential.

We must never lose sight of one reason why we are in this mess. I am afraid that it goes back to that constant refrain that I have voiced in the House, as have many others: the diabolical way in which Spain has transferred so many vessels to our register. We hope to meet in large measure our multi-annual guidance programme when we remove those vessels from our register through the Merchant Shipping Act 1988. By the perverse judgment of the European Court of Justice, many of them have returned. To a large degree, that sabotaged our attempt to reduce the capacity of the fleet.

Is it not ironic that the figures which have already been mentioned reveal that, from 1987 to 1993, Spain one way or another—through construction, modernisation or decommissioning grants—received £208 million, whereas the United Kingdom fleet received a paltry £19 million, yet so much of our trouble has been caused by boats from Spain?

I also endorse what the hon. Member for Glanford and Scunthorpe said about the Government's insistence that vessels should be scrapped. About a fortnight ago, I was pleased to attend a ceremony at Land's End at which one decommissioned boat—the Confide—was preserved, albeit on land, as a fishing exhibition. I hope that it will play its part in stimulating further the tremendous interest that exists—thank goodness—in the fishing industry.

However, I am sure that we could save many more vessels. I was saddened that my request for a vessel from Penzance to be saved was rejected. It could have been used to train youngsters under the auspices of no less a person than the Bishop of Truro. I do not think that he was going to skipper it himself, but the Church's Fund

for Social Responsibility in Cornwall would have made good use of it. Sadly, the request was denied, and the vessel had to be destroyed.

I always understood that the scrapping of vessels was done at the insistence of the Commission itself and to meet the requirements of the scheme. However, I was told today by Mr. Bob Allan from the Scottish Fishermen's Federation that that is not the case. If he is right—I am sure he must be—one has to ask why on earth we are following a policy that is different from that of other member states. I hope that the Minister will deal with that point. I am sure that we could make sensible use of some of these vessels without their returning to the fleet.

I conclude my remarks at this point, because many other hon. Members wish to speak. I welcome the increased money for decommissioning, but urge Ministers to consider the various points that have already emerged in today's debate and which will no doubt be reinforced. I also endorse what the Opposition spokesman said about finding a better way to provide security for what remains of the fishing industry. In that regard, I warmly welcome the review that the previous Minister started, which I know is being continued under the present Minister—the review of the common fisheries policy and our attitude to it.

8.12 pm

Mr. Robert Hughes (Aberdeen, North): I, too, welcome the two new Ministers to their posts. I especially congratulate the Under-Secretary of State for Scotland, the hon. Member for Aberdeen, South (Mr. Robertson) on his first ministerial post.

When the two new Ministers come to deal with the fishing industry, they will find that there has never been such disenchantment with the common fisheries policy. There is a ground swell of antagonism and distrust. The hon. Member for Aberdeen, South will know that many sections of the industry are arguing very strongly that we should have nothing more to do with the CFP, that we should simply get out and take back control of our industry.

In the fishing debate earlier this year, I recall saying that the above suggestion was not feasible, although I appreciate that it makes it very difficult for Ministers to tackle the problems of the industry when there is such division in it, about the CFP at least. Fishermen are crying out for some new lead and some new policies.

The fact that two new Ministers are now at the Dispatch Box—one from the Ministry of Agriculture, Fisheries and Food and one from the Scottish Office—means that there is the possibility of a fresh approach and some new thinking. Some might say that that is rather naive on my part. I am certainly not saying that all previous Government thinking is to be cast aside, but I think that there is the possibility of a fresh approach. The Minister of State certainly showed that he was willing to listen. He said that although we have to accept or reject the current statutory instruments, they were not set in stone and could perhaps be changed. I therefore join those who welcome the new decommissioning scheme, as far as it goes.

It is clear that there are problems with the way in which the scheme is formulated. Anyone who speaks to those working in the fishing industry will know that individual sectors have different problems. This is beginning to sound like a tea party at which we all congratulate Ministers. [HON. MEMBERS: "Invite them over."] I think that some of my hon. Friends behind me are getting worried and might put their jovial interventions in a different light when they come to speak.

The Minister of State said that in his previous job he regularly met representatives of the construction industry and hopes in his new job to meet representatives of the fishing industry. In doing so, I hope that he will meet not only our good friends in the Scottish Fishermen's Federation and the National Federation of Fishermen's Organisations but people from the trade unions who represent workers in the industry.

I hope that the Minister will recognise that there are probably now more jobs on land in the processing and production side than there are at sea. The processing side of the industry should be involved in any discussions. Some of us have been working for many years to put an end to the age-old antagonism between those who caught the fish and those who bought the fish, and the two sides now work more closely together. We need to foster not only the interests of one sector of the industry but the best interests of the whole industry.

The Minister said that he would reconsider the exclusion of the nephrops fleet from the decommissioning scheme, which is to be welcomed. I do not want to get involved in a welter of self-congratulation, but there is no doubt that Back Benchers of all parties—I pay a special tribute to the hon. Member for St. Ives (Mr. Harris) in this regard—compelled the Government to accept a decommissioning scheme.

Mr. Baldry: I would not want my earlier comments to be taken as more of a concession than they were. In response to several interventions from Scottish Members, I said that of course it was true that vessels could move into nephrops fishery and that if sufficient moved that the nephrops target was in doubt, we could include nephrops vessels in the scheme in later years. My point was that the scheme would have to examined year on year, not that I was going to review the decision that this statutory instrument is set for this year.

Mr. Hughes: I am grateful to the Minister for bringing me back to the harsh truths of reality. I am sorry if I gave the impression that I expected the current proposal to be changed. I of course accept that we have to take it as it stands, but the Minister said that this scheme is for this year, that next year he would examine the circumstances again and that the point made about the nephrops fleet might be taken into account. Incidentally, I welcome the Minister of Agriculture, Fisheries and Food to the Front Bench and to his new post. We shall await with bated breath the Minister's conclusions, but I take at face value his comment that these matters will be re-examined.

Although decommissioning is valuable, one of the phrases used this afternoon—I forget by whom exactly, but I think that it was a member of the Scottish Fishermen's Federation—was that we should be thinking beyond decommissioning. That is a good way to put it. We need to do exactly that and bring some stability to the industry so that fishermen know where they stand. The problem is that we have gone from crisis to crisis, not knowing where we were going from one year to the next. If the decommissioning scheme enables us to get a better look at the future, it will be valuable.

[Mr. Hughes]

It has been pointed out that the difficulty with the decommissioning scheme is that it is a scrapping scheme to get vessels taken out of service. It was suggested that it would be valuable if decommissioned vessels could be allowed to go elsewhere, either to serve some useful purpose outside the fishing industry or to go to Mozambique or Sri Lanka, for example, where they would be useful. The Government seem to think that if all the vessels were taken to Sri Lanka or Mozambique for decommissioning, they would somehow find their way back into the UK fishing fleet, which is beyond any reason.

We need a scrap-and-build policy. Since there has not been decommissioning and because we have not met the multi-annual guidance programme, no grants have been available to build new vessels for a very long time indeed. The fleet is aging. While I welcome the marine safety grant scheme, an unsound or old vessel can be unsafe despite the fact that it has modern radar, or whatever equipment is needed, attached to it.

We should look at a scrap-and-build policy because to compete and be a viable industry in future, even with a limited fishing effort, vessels have to be up to date. We know that other countries are modernising their fleet like there is no tomorrow and we will be left with a fleet under such tremendous pressure that it will not be able to do the job that it wants: catch fish in reasonable numbers and at a reasonable price.

These matters spread beyond the fishing fleet itself and into the fishing communities. Since the Minister made the point in his press release, I would expect him to say in his winding-up speech how valuable the Pesca scheme is in aiding the fishing communities. We are told that the £1.1 million going to the north-east of Scotland will have to be matched by £1.1 million from local authority funds. When the authorities asked the Government about that, the Government said that the authorities already had that money, which is very odd because the local authority grants were finally settled before the announcement of the Pesca scheme. How could the local communities or the Government predict the scheme—with a crystal ball? I hope that the Government will consider that carefully.

I want to raise with the Under-Secretary of State for Scotland the Government's attitude to the socio-economic measures brought forward by the European Commission. The Government's behaviour in this matter is the worst possible example of holding in national hands a policy with which they disagree in Europe. Many people in the fishing industry want control of their own affairs with as much leeway as possible in European Union policy, yet the Government say that they will vote against the Commission's proposals to allow for early retirement of fishermen and lump sums to be paid to fishermen who lose their jobs, and that even if they are outvoted and the proposals go through under majority voting, they intend to do absolutely nothing about the proposals and will not implement them.

I hope that the Under-Secretary will take a much more robust attitude. I hope that he will say that there are people in desperate trouble. He will have had, as I have had, since we occasionally exchange constituents' letters—constituents do not always know which constituency they are in—many letters from trawlermen who have had difficulty getting money out of the Department of Employment's ex gratia scheme. He will know, therefore, of the hardship of people who have lost their jobs in the trawling industry. That hardship will be mirrored—indeed it is already being matched—by those who lose their jobs because of decommissioning and the reduction of fishing effort. He will therefore bring experience to his post and he should be much more sympathetic towards the socio-economic measures.

I hope that the Under-Secretary will not rest on some nationalistic idea—I had better not use the word nationalistic in relation to the hon. Member for Aberdeen, South. I hope that he will have much less of a national interest factor and recognise that some European Union proposals are good and that we ought to implement them. This short debate has given us the opportunity to say which parts of the Government's policy we agree with and which parts we wish to see an advance on. I hope that the Government will realise that, provided that they take an open approach to their responsibilities, they will have our support. If they do not, they know perfectly well that they will have to face the wrath of this House, and it will not be pleasant.

8.24 pm

Mr. Alex Salmond (Banff and Buchan): I welcome both the new Fisheries Ministers. I am slightly disappointed that the Scottish Under-Secretary is the junior of the two again, and I hope that the Fisheries Ministers from other Departments will not take advantage of their hon. Friend's inexperience. That hope relates to two matters: first to the European negotiations at which the hon. Member for Aberdeen, South (Mr. Robertson) might well be the only Scottish representative. In the last six months of last year, the right hon. Member for Dumfries (Sir H. Monro), who is a very experienced Member of the House, represented Scotland on three occasions—the only three occasions on which Scotland was directly represented by Scottish Office Ministers out of a total of 48 Council meetings.

Secondly, during a number of years, Scottish Office civil servants, Opposition Members and even a few rebel Conservatives, as we have heard earlier, were advocating a policy of decommissioning which was frustrated and halted by what I thought were the largely personal prejudices of the then Minister of Agriculture, Fisheries and Food, based on his unfortunate experiences in his early ministerial career over the previous decommissioning scheme. We are now paying the price, as has become evident in this debate, for those wasted years.

I took a careful note of what one of the fisheries representatives said to me in the briefing earlier this afternoon. He said that the fishing industry is still

"wallowing in the broken water of do nothing years".

I understand that the statistics which have been quoted to Ministers from Opposition and Government Members were supplied to the Scottish Fishermen's Federation by my colleague in the European Parliament, Winnie Ewing, the Member of the European Parliament for the Highlands and Islands. I am sure that my hon. Friend in the European Parliament will be delighted that the statistics have been put to such good use in this debate.

They are shameful statistics from a European and United Kingdom point of view. Of total funding from 1987 to 1993, 2.8 per cent. has come to the UK, in contrast to the huge amounts, as the hon. Member for St.

Ives (Mr. Harris) rightly said, which have gone to the Spanish fleet. The UK fleet has been at a substantial competitive disadvantage over that period as funds have gone elsewhere. Not only that, of course, but the lack of a decommissioning scheme in those years has imbalanced the whole fisheries policy so that funds are nowhere near the targets for MAGP or anything else—not just because of the flags of convenience vessels, although they were important, but because of the failure of policy and the failure to act.

The points made in this debate are very important and interrelate with the two schemes before us this evening. If there is a combination of older fishing vessels and probably younger skippers, since that is the trend in the industry at the moment, going into deeper waters, there is a key safety consideration. The lack of reinvestment in the fishing fleet means that the average age of the vessels is increasing. Ten years ago, the average age of UK vessels, especially Scottish fishing vessels, was much less than the European average. Now it is greater than the European average. We have one of the older fleets in the EU and that raises implications for safety in fishing as well as for the competitiveness of our industry compared to others.

We have about five member companies in the British Boatbuilders Association, of which only two are currently building boats. The arguments for a scrap-and-build policy are very important. It is not a question, as the Minister seems to think in following his predecessors by saying, that we cannot have a decommissioning policy on one hand and a reinvestment policy on the other. That is exactly the policy being pursued in our competitor countries across the Union. If we do not have such a policy, the Government will be putting our fishing vessels at a grievous disadvantage compared to the other fishing fleets. I am sure that the Minister would like to change that policy direction in his first days in the post.

I shall make three brief points to amplify some of the detail in the debate. The case made by the hon. Member for Glanford and Scunthorpe (Mr. Morley) was very good. Given the legacy of the lack of a decommissioning scheme in the crucial years of the 1980s, there surely would be a good argument for a catch-up policy to accelerate the commitment in the early years of the scheme to try to get back to something like the targets that we have to meet. That policy option must be available to the Minister and surely should be one for careful consideration. Should the scheme be front-loaded to catch up and try to redeem some of the mistakes of the past?

The Minister has qualified the flexibility that he seemed to show earlier in the debate. His point about the nephrops fishery does not stand up to a moment's serious examination. There has already been an increasing shift in capacity into the nephrops fishery in the North sea from the Fladen fishery in the current year. The two fisheries are heavily interrelated. The idiocy of the regulations is shown if one compares a nephrops fisherman with a scalloper. If a scalloper had a pressured stock licence, he would be eligible for the terms of the decommissioning scheme. Yet if that person qualified for decommissioning, he would not put any whitefish back into the pool to be available for the other fishermen who are under such pressure from quotas at present. A prawner boat would put whitefish back into the pool, yet that prawner is excluded from taking advantage of the decommissioning scheme.

We must understand the interrelationship between the fisheries. One cannot close off one option and expect that the position will stay still; closing off one option has an impact on the other cross-fisheries. I hope that the Minister will seriously consider being more flexible as quickly as possible. If he does not, he will find that there is more effort in the nephrops fishery, and that the situation has changed again for next year. I hope that he will pay attention to that point.

The Minister's immediate predecessor, the hon. Member for Fylde (Mr. Jack), in a fairly critical fishing vote which was closely contested in the House, made a declaration to his hon. Friends on the Back Benches. He said that he would not stand for fishermen from Scotland or England being put at a competitive disadvantage to other European fleets with the onset of fisheries regulation. Even now in the decommissioning scheme, that is happening. We have heard of the scrap-and-build policy which is available to fishermen across the Community, but not to fishermen here.

We have had examples of boats for alternative use. I am grateful to Bill Farquhar from the Macduff shipyard for giving me an example. The Jean de la Lune was chosen to lead the parade of sail in the recent tall ships festival in Leith. It was actually a converted French fishing boat which had been commissioned out of the fishing fleet. Given the experience of the early 1980s, I can understand ministerial caution on this aspect. I am, however, certain that the Scottish Office inspectorate and the MAFF inspectorate are quite capable of telling the difference between a tall ship with sails and a working fishing boat. Some flexibility in this aspect would bring us into line with our European colleagues and would generate some much-needed work for our hard-pressed boatyards.

I hope that the Minister will look at boat building as an issue in itself. For many of us from the western approaches of Scotland and from the north-east corner of Scotland, fishing is a dominant part of our communities. In one village in my constituency, 65 per cent. of employment is generated by the fishing industry. I hope that the Minister understands why we cannot tolerate our fishermen, in what are hard times anyway, being placed at a competitive disadvantage to other European fleets. Although we welcome the decommissioning scheme, we ask that some effort is made by the new ministerial team to redress the errors of the past and to allow our fishermen the support to which they are entitled.

8.33 pm

Mr. David Porter (Waveney): I shall concentrate on decommissioning. The hon. Member for Great Grimsby (Mr. Mitchell) has already flagged up the issue. Before the Government belatedly and rather grudgingly introduced the decommissioning scheme, I advocated that there should be such a scheme. Like other hon. Members, I recall that the entire House was in favour of the scheme, with the exception of my right hon. Friend the Member for Suffolk, Coastal (Mr. Gummer), the then Minister of Agriculture, Fisheries and Food, who opposed it. I felt that if we had to obey multi-annual guidance programme rules, which were bizarre enough at the outset, the whole scheme seemed superficially appealing, especially if 70 per cent. of the grants were recoverable from Europe. In other words, the Community was giving us back our own money. What I advocated was a whole industry scheme, which we have not got.

[Mr. David Porter]

The miners got £35,000 a man; we do not have anything like such a scheme, which compensates all parts of the industry. There could be a trickle-down effect if boat owners pay some money to ships' crews, to land staff, to fish merchants and, yes, to boat builders as well—in other words, to the whole industry. However, it is the owners who have had the investment and the risks, so, realistically, that is not very likely to happen. What happens to the other men whose jobs are destroyed when boat owners take decommissioning grants? Not only are they directly out of work, but their likelihood of further work is reduced because the fleet in a port becomes smaller. It is a vicious circle.

So the whole nightmare of the common fisheries policy, with all its hideous consequences, goes on, using taxpayers' money to put people out of work so that our competitors can better fish us out of more work. That is exactly how people perceive the problem in the ports.

To come this year with a new tranche of decommissioning and to claim that it is the solution would be laughable if it was not tragic. As a result of previous shortfalls, unattached licence entitlements and an attempt to fine-tune the system bureaucratically, we are left, in the words of the National Federation of Fishermen's Organisations, with

"a collection of contradictions and anomalies. Almost every boundary in fleet segmentation is open to challenge on grounds of illogicality, inequality and irrelevance."

One cannot fine-tune a leviathan. The idea that one can part-buy out an allegedly excess fleet pushes out any idea that fish stock shortages can be addressed by some other method. The mechanism has become untouchable, just as the grotesque concept that all fish stocks are a common resource open to all has become untouchable.

Decommissioning, like all aspects of the CFP, is not succeeding. If the fleet is reduced by 4.5 per cent. tonnage while the actual tonnage goes up by 3.3 per cent., that is hardly success. Discards remain a problem and quotas are becoming a blunt instrument that cannot legally leave a man making a living in most cases. So what do we do? Should we scrap the CFP and start again? Oh no, we just come up with some more schemes and mechanisms to destroy the market in a naturally renewable resource.

I welcome my hon. Friend the Minister of State to his new job. However, he faces a task that he cannot win. He already knows that the fishing industry has more regulation than the nuclear industry and that most of it is unnecessary. If he does not take steps deliberately to swap fish out of Lowestoft, as his predecessor did, I look forward to working with him. I have submitted a paper to his CFP review panel on how we can negotiate reform of the CFP by negotiating to leave it. My hon. Friend has not ruled out that option for consideration, yet his parliamentary answers, one given to me only yesterday, are sticking to the old line of, "All is well and just one more tinkering and we'll be there."

My hon. Friend the Minister says that international co-operation on conservation management is essential. I agree; we can all agree on that. However, the CFP is not an example of good international co-operation. The scheme tonight is just another piece in the whole discredited policy, and because it is not a whole industry scheme, if it is put to the vote, I could not in all conscience vote for it.

8.37 pm

Mr. Archy Kirkwood (Roxburgh and Berwickshire): I shall be brief because I know that the Minister needs at least nine or 10 minutes for the wind-up; that is right and proper. The schemes should be approved, but in so saying, I hope that the Minister—I accept that the tone in which he opened the debate was sympathetic, which is much to be welcomed in view of his new responsibilities—will not take it from the tone of the debate, in which I have concurred with just about everything that has been said on both sides about some of the wider issues, that these matters are not urgent and important.

I shall concentrate on the shorter-term question of the nephrops fishery, which is an immediate and urgent matter for re-examination, for the reasons that have been explained. In the longer term, we shall look for reconsideration of the historically negative view that the Government have taken of decommissioning schemes and some of the wider European Union schemes.

My local fishing industry believes that it has paid a high price as a result of that historically negative attitude. That attitude has left us, as has been said, with a fishing industry that is short on the construction, modernisation and commissioning grants that have been available to our competitors. I, too, think that it is a scandal that the Spanish fishermen have pocketed £208 million to rebuild their fleet while we have receipts of a mere £19 million—only 2.8 per cent. of the total funds available. That means that, inevitably, our fleet cannot stay safe, modern and competitive. I hope that the Minister and the new ministerial team will consider that as a matter of urgency.

There is one thing that I want the Minister and his team to consider more than anything else, although I know that it will be difficult to try to persuade the Treasury. I want them to bring forward some of the money, because £12 million over three years is not nearly as useful as releasing the money in one block, so that it can be drawn down as necessary to provide the essential cash flow for the scrap-and-build policies and for the yards that are suffering difficulties.

The nephrops fishery is important too, and I hope that the Minister will undertake to meet some of us with individual local concerns in the course of his reconsideration. If the 1995 scheme is ruled out because the schemes are unamendable, I hope that he will see his way clear to listening carefully to the representations by Members with legitimate concerns.

I have a plea from the Eyemouth and District Fishermen's Association, saying:

"many boats have gone to the prawn fishing over the past two years due to the shortage of white fish inshore and the poor prices."

I am sure that that is right. There is suspicion that the figures that formed the basis of the decisions that Ministers have taken on the 1995 scheme may be out of date. Indeed, I believe that the decisions were based on 1993 figures. There is evidence that over the past two years there has been a substantial shift to nephrops out of whitefish pressure stocks, and that is a matter of real concern.

What has been said about the development of the Fladen grounds persuades me that there has been a substantial change, and that, too, needs to be considered as a matter of urgency. I also hope that, over the next year or two, when the wider issues concerning some of the elements of the scheme—such as the fact that we do not

allow decommissioning to take place when boats go out of European Union waters, or when boats have been taken out of the fishing capacity—are being considered, urgent attention will be paid to those problems.

Better provision for decommissioning, together with rebuilding grants paid for with EU funds and even-handed access to Community assistance, are essential if the United Kingdom fishing fleet is to remain viable and competitive in Europe.

8.41 pm

The Parliamentary Under-Secretary of State for Scotland (Mr. Raymond S. Robertson): I begin by paying tribute to the work done in his three years as the Minister responsible for Scottish fisheries by my right hon. Friend the Member for Dumfries (Sir H. Monro). Everyone involved in the industry will agree that he was indeed a doughty fighter, and I am aware that his combination of experience mixed with guile will make him a difficult act to follow. I also thank hon. Members for their kind remarks about my appointment.

We have had a useful debate. Decommissioning is an issue of great importance to the fishing industry, not least because it forms a crucial part of the Government's strategy for tackling the problems that we currently face—principally the fact that too many boats are chasing too few fish.

We are not alone in that. The problem is widespread. Within the European Union, we are addressing it by setting targets for the reduction of fishing effort, so everyone in Europe is heading for the same goal. We are committed to meeting the targets, and decommissioning will help us towards that goal. As is equally important, it will help us to achieve a more secure future for the fishing industry, which is what I believe all hon. Members who took part in the debate want.

It is surely right that we should be prepared to make sacrifices today to secure longer-term prosperity. That is why in January the Government announced a further £28 million for decommissioning over the next three years. To respond to a question asked by the hon. Member for Roxburgh and Berwickshire (Mr. Kirkwood), my hon. Friend the Minister of State said that £12 million would be available each year for the next three years, not £12 million overall for the next three years.

The 1995 scheme represents an attempt to achieve a better balance between the number of fishing vessels and the number of fish. Some hon. Members have said that we should be prepared to provide more money overall, but that would require savings to be found elsewhere, and suggestions for that were rather thin on the ground during the debate. I hope and believe that we have the balance about right; £12 million of taxpayers' money this year and in each of the next two years is a significant and realistic contribution from public funds.

As has been said, that is only one part of the Government's on-going financial commitment to the fishing industry. We are spending large sums on monitoring fish stocks and on enforcing regulations, both of which we do in order to protect fishermen's incomes. We have also committed about £10 million to help with development at three Scottish fishing harbours, and there is the Pesca money, which the hon. Member for Aberdeen, North (Mr. Hughes) mentioned. I can tell him that it is not only local authorities that can come up with the matching funds. Others can come in too, notably local enterprise companies. I should have thought that the hon. Gentleman would welcome the fact that in Grampian we have been able to secure the lion's share of the Pesca money.

Some hon. Members have said that we should be prepared to fix a higher level of compensation for vessel owners. However, the scheme is designed neither to provide social security nor to facilitate reinvestment. We ask fishermen to tell us how much they need to buy themselves out of the industry, and each person gives us a figure. We pick those that offer the best value for money so as to achieve the maximum reduction in capacity at the minimum cost.

Some people—such as the hon. Members for Banff and Buchan (Mr. Salmond), for Roxburgh and Berwickshire and for Western Isles (Mr. Macdonald)—have criticised us for excluding nephrops. Of course, I recognise that there will be disappointment for vessel owners who would have liked to apply for decommissioning grants this year. But the bottom line is that we have met, and indeed exceeded, our European target for reducing capacity in the prawn fishery. We have reached that position because so many nephrops boats were successful in earlier rounds.

It would not be sensible—

Mr. Macdonald: I accept what the Minister is saying, at least with regard to area VI, but is not the logic of that that the fishery should now become eligible for reinvestment and rebuilding grants? If that is happening in the Northern Ireland fishery, will the Minister examine the case and find out whether the same terms could be applied to the west coast fishery?

Mr. Robertson: I shall come back to that, but Northern Ireland is a special case.

It would not be sensible or right to divert funds to achieve more decommissioning in the nephrops sector generally when other sectors are still so far short of their targets. For example, the important demersal trawling segment still has to be reduced by 17 per cent. to meet its multi-annual guidance programme target, while the beam trawler segment has to face a reduction of more than 35 per cent. to meet its target.

During the debate on the decommissioning scheme last year, the hon. Member for Glanford and Scunthorpe (Mr. Morley) suggested that the scheme should be more carefully targeted. He said that the scheme

"needs to be considered on a sectoral basis, where the pressure is."—[*Official Report*, 14 July 1995; Vol. 246, c. 1209.]

I find it odd that now he is criticising us for being more focused and considering quite carefully how best we can meet our MAGP targets.

It would be wrong for the Government to continue to reduce nephrops fishing capacity in a general way. Equally, we must have regard to the local impact of our decision to withdraw grants for decommissioning nephrops boats. As my hon. Friend the Minister of State said, the position of the fleet in Northern Ireland requires more careful thought. The industry in Northern Ireland is in greater difficulty than elsewhere in the United Kingdom, with about half the fleet, which is much older than fleets elsewhere, in the nephrops sector. As my hon. Friend also said, the Government have concluded that Northern Ireland warrants special treatment to help with the process of restructuring.

[Mr. Robertson]

However, I make it clear to the House that I listen to what the industry says. The Scottish Fishermen's Federation has suggested that because some whitefish vessels may move into the nephrops sector, the MAGP target for nephrops may not be met next year. I give the House a firm commitment that we shall review all the eligibility criteria next year in the light of vessel movements between sectors, and of the current round of decommissioning.

I assure hon. Members that if the MAGP target for nephrops is not met next year, the Government will be prepared to reintroduce those species into the scheme. I want hon. Members on both sides of the House to be clear that the exclusion of nephrops vessels this year in no way sets a precedent for 1996. If the hon. Member for Roxburgh and Berwickshire and his hon. Friends want to come to see me this time next year, when we sit down to prepare the initiative, of course my door will be open.

We should not allow the industry to wither on the vine. The Government share the industry's concern that its future profitability should lead to healthy reinvestment in modern vessels. Some hon. Members, especially the hon. Member for Aberdeen, North, have said that we should reintroduce a scrap-and-build scheme aimed at ensuring that the age profile of the fleet does not become distorted. I fear that we cannot contemplate such a move while we are so far adrift from our capacity targets. To encourage investment now would increase rather than reduce our fishing effort.

However, I share hon. Members' concern that unsafe vessels should not be forced to sea by economic circumstances, placing the lives of their crews at risk.

Mrs. Margaret Ewing (Moray): Most of us want to see the introduction of a scrap-and-build policy because of the importance of making our fleet competitive. But if the Government are ruling that out totally, would it be possible to abolish the scrap-only policy and allow our boatyards to convert decommissioned vessels into, for example, pleasure boats, which provide employment in many coastal communities?

Mr. Robertson: On my first day as a Minister, I said to the industry what I shall say to the hon. Lady now—my door will be open for anyone to come in with constructive proposals for the future of the fishing industry and the fishing fleet. If the hon. Lady wants to come and see me with some of her constituents who are involved in the industry, she will find that my door is open.

We are committed to assisting in improvements to the safety of the fleet, and I commend to the House not just the decommissioning scheme, which will take out some of the older boats, but the safety improvement grants scheme, which will help upgrade the facilities of those that remain.

In conclusion, we have covered much ground in the debate. Some see the common fisheries policy as the source of all our ills, but there is no doubt that we would in any circumstances need to agree with our neighbours to share the common resources of the sea or the necessary means to avoid their decimation. Our targets are, I believe, equitable, and the costs of achieving them are borne in part by the EU. The Government are committed to working towards a more financially stable and secure fishing industry. I believe that the two schemes before the House will make a substantial contribution to that end, and I commend them both to the House.

Question put and agreed to.

Resolved,

That the Fishing Vessels (Safety Improvements) (Grants) Scheme 1995 (S.I., 1995, No. 1609), dated 28th June 1995, a copy of which was laid before this House on 28th June, be approved.

Resolved,

That the Fishing Vessels (Decommissioning) Scheme 1995 (S.I., 1995, No. 1610), dated 4th July 1995, a copy of which was laid before this House on 4th July, be approved.—*[Mr. Burns.]*

Appropriation (Northern Ireland)

Mr. Deputy Speaker (Mr. Michael Morris): Before I call the Minister to open the debate, it might be helpful to make it clear that the debate may cover all matters for which the Northern Ireland Departments, as distinct from the Northern Ireland Office, are responsible. Police and security are the principal excluded subjects.

8.51 pm

The Minister of State, Northern Ireland Office (Sir John Wheeler): I beg to move,

That the draft Appropriation (No. 2) (Northern Ireland) Order 1995, which was laid before this House on 8th June, be approved.

The draft order, which covers the main estimates for Northern Ireland Departments, authorises expenditure of £3,437 million for the current financial year. Taken together with the sum voted on account in March, this brings the total estimates provision for Northern Ireland Departments to £6,142 million, an increase of 4 per cent. on the 1994-95 provisional outturn. The order also authorises the use of additional receipts to meet an excess vote in 1993-94.

The sums sought for individual services are set out in the estimates booklet, which is, as usual, available from the Vote Office. As you have said, Mr. Deputy Speaker, the estimates for the Northern Ireland Office for law and order services are not covered by the order.

As is customary on these occasions, I shall highlight the main items in the estimates, starting with the Department of Agriculture. The net provision in the two agriculture votes amounts to some £155 million. In vote 1, some £21 million is to fund EC and national agriculture and fishery support measures which apply throughout the United Kingdom.

In addition to the various pre-funded market support measures under the common agricultural policy, the vote includes some £6 million to assist structural improvements by way of various capital and other grants. Some £14 million is to provide support for farming in special areas by means of headage payments on hill cattle and sheep.

In vote 2, some £133 million is for on-going regional services and support measures. This includes £60 million for the development of the agriculture and agricultural products industries and for scientific and veterinary services. Some £38 million is for farm support, enhancement of the countryside and fisheries and forestry services. Some £23 million is for central administration, and £5 million is for the rural development programme.

In the Department of Economic Development's vote 1, some £135 million is required for the Industrial Development Board. This will enable the board to continue to support and assist industrial development in Northern Ireland, mainly through the provision of factory buildings and selective assistance to industry.

The terrorist ceasefires announced last year, coupled with overseas interest in Northern Ireland as an attractive investment location, have significantly improved the prospect of achieving and sustaining higher levels of economic growth in the next few years. The board will continue actively to assist firms to set up and expand in Northern Ireland, and has set itself a target of securing 20 inward investment projects, involving some 4,500 job promotions during the current year.

In vote 2, some £95 million is required. Some £33 million is for the Local Enterprise Development Unit, Northern Ireland's small business agency. This will allow the agency to maintain its excellent track record in developing, strengthening and improving the competitiveness of small firms in Northern Ireland.

Some £16 million is for the Industrial Research and Technology Unit, primarily to promote the competitiveness of local companies through increased industrial innovation, research and development and by technology transfer. This underlines the importance that the Government attach to helping Northern Ireland industry to grasp the emerging technological opportunities which underpin successful economic development.

Finally in this vote, £13.6 million is for the Northern Ireland tourist board to support the tourist industry in Northern Ireland. While 1994 saw the sixth consecutive rise in visitor figures—with a record 1.29 million people coming to Northern Ireland—the prospects, with the continuing ceasefires, for this year and beyond are very encouraging, with increasing interest in what Northern Ireland has to offer as a holiday destination.

In vote 3, £203 million is for the Training and Employment Agency. This will enable the agency to continue to provide a range of comprehensive training and support measures, and includes £77 million to fund almost 16,000 places under a new job skills training programme, and for on-going expenditure on a new training facility in west Belfast.

Some £55 million is for the Action for Community Employment programme, which will provide some 10,000 places for long-term unemployed adults in projects of community benefit. Some £18 million spread over a number of programmes is to assist companies improve their competitiveness by developing the skills of their work force, and to provide training for those intending to pursue management careers in industry.

In respect of the Department of the Environment, in vote 1, £180 million is for roads, transport and ports. That includes some £150 million for the development, operation and maintenance of Northern Ireland's public road system. Emphasis continues to be placed on the maintenance of the road system, with expenditure of almost £1 million more than in 1994-95.

The maintenance programme is complemented by new road construction, and local minor road improvement and safety schemes. Construction work on stage 1 of the Belfast cross-harbour road bridge project was completed in 1994. Work on the second stage of the project linking the M3 Lagan bridge to the Sydenham bypass is scheduled for completion by the end of 1997.

Vote 2 covers housing, where some £203 million will provide assistance mainly to the Northern Ireland Housing Executive, and to the voluntary housing movement. When net borrowing and the Housing Executive's rents and capital receipts are taken into account, the total resources available for housing this year will be some £593 million. That is an increase of £20 million over 1994-95, and will support the continued improvement of housing conditions.

Vote 3 covers expenditure on water and sewerage services, on which gross expenditure is estimated at £202 million. Some £94 million is for capital expenditure, and £108 million for operational and maintenance purposes.

In vote 4, £142 million is for environmental services. That includes some £35 million for urban regeneration measures, which continue to be targeted at areas of social,

[Sir John Wheeler]

economic and environmental needs. As in previous years, it will generate much higher overall investment through the successful partnerships that have been established with the private sector. Provision for the new Public Record Office of Northern Ireland Agency, launched in April 1995, is also covered within this vote.

The estimates for the Department of Education seek a total of £1,380 million, an increase of 4.3 per cent. over last year's provision. Vote 1 includes £842 million for recurrent expenditure by education and library boards, an increase of £39 million over 1994-95. That includes £794 million for schools and colleges of further education, which will help maintain the pupil-teacher ratio at present levels. Some £48 million is for libraries, youth services and administration and £41 million is for boards' capital projects.

That includes the provision of new laboratories and technology workshops to enable further progress to be made on education reforms. Some £143 million is for voluntary schools, and £15 million is for integrated schools, an increase of some £4 million over 1994-95.

In vote 2, £119 million is for local universities, to enable them to maintain parity of provision with comparable universities in the rest of the United Kingdom. Some £124 million is for student support, including grants and student loans. The vote also covers expenditure on a range of youth, sport, community and cultural activities, including some £16 million for arts and museums and some £3 million for community relations.

Mr. Roy Beggs (Antrim, East): How much of the money allocated to education in Northern Ireland is contributed to meeting the cost of educating in Northern Ireland students from the Irish Republic? Does the United Kingdom manage to get that money back from the European Union?

Sir John Wheeler: I cannot supply an answer off the cuff on how much money from the estimates is spent on educating persons from the Republic of Ireland, but if I can give the hon. Gentleman more detailed information in the fulness of time, I shall ensure that he has it.

Mr. William Ross (Londonderry, East): I have listened carefully as the right hon. Gentleman has detailed the sums to be spent on various aspects of education. He will be well aware that a large school building programme was launched in Northern Ireland in the 1950s and 1960s. Many of those schools had a fairly limited design life, and are now coming to the end of it. What provision are the Government making in future years to replace those schools?

Sir John Wheeler: I am indeed aware that many of the school buildings erected in Northern Ireland in the 1950s and 1960s, as was common elsewhere in the United Kingdom, and in other countries too, have perhaps completed their useful cycle. That concern is borne in upon me by the Minister of State who is responsible for the Department of Education. He urges upon me the necessity of finding ever-increasing sums of money to meet that particular difficulty. I can assure the hon. Gentleman that I shall attend to it when the coffers permit.

In vote 3, gross provision of some £224 million is for the Department's administration and other costs. That includes £122 million for the Social Security Agency, £19 million for the Child Support Agency, and some £13 million for the health and personal social services management executive.

In vote 4, £1,463 million is for social security benefit expenditure administered by the Social Security Agency. That represents an increase of 5.8 per cent. on last year. It covers not only the general uprating of benefits from April 1995, but an increasing number of beneficiaries.

In vote 5, £406 million is to cover expenditure on the independent living fund, housing benefit, the social fund and payments to the Northern Ireland national insurance fund.

Finally on the Department of Finance and Personnel, within votes 1 and 3, some £5.6 million is for the community relations programme. Together with the expenditure by the Department of Education, total spending on the community relations programme will be some £8.7 million. That reflects the importance which the Government continue to attach to community relations in Northern Ireland.

I have drawn attention to the main provisions of the estimates. In replying to the debate, the Under-Secretary of State will respond to the points raised. I commend the order to the House.

9.7 pm

Mr. John Spellar (Warley, West): A couple of weeks ago the House considered the renewal of direct rule. That debate necessarily concentrated, although not exclusively, on political issues and the peace process. Today's appropriation debate traditionally allows us, as the Minister made clear, to consider the day-to-day economic issues facing Northern Ireland. Some of those are problems shared with the rest of the United Kingdom, while others are more specialised and unique to Northern Ireland. Although I wish to be comprehensive in my coverage of those issues, I am aware that a number of hon. Members representing Northern Ireland want to participate in the debate and raise particular issues of concern to their constituents.

I should like to deal first with the economy. We greatly welcome the recent reduction in levels of unemployment in Northern Ireland, especially among the long-term unemployed. We also welcome the Secretary of State's acknowledgement in his speech to the House on 5 July that that rate is still too high. We note the extremely high levels of unemployment in some especially deprived areas. Although we record the significant progress already made, we must do more to reduce the appalling level of unemployment, which, let us remind ourselves, is still officially around 12 per cent. We must especially try to reduce long-term unemployment, which is one fifth of that total—a far greater proportion than in the rest of the United Kingdom.

Those levels of unemployment are economically disastrous and socially damaging, as I am sure that we are all aware. We want action to target social need and to tackle the relative deprivation of specific areas and pockets in Northern Ireland. Measures to tackle unemployment must be accompanied by enforced fair employment legislation. In that, I commend the proposals recently made by my hon. Friend the Member for Falkirk, East (Mr. Connarty).

The recent reduction in unemployment also reflects the encouraging fact that Northern Ireland industry is enjoying similar growth to the rest of the country in the

manufacturing sector and is ahead of the game on export-led growth. As the Minister and the House will be aware, that was reinforced by figures in yesterday's *Financial Times*, showing that Northern Ireland had the fastest growth this year of any region in the United Kingdom.

We should also acknowledge that, since our last appropriation debate in the Chamber, there has been welcome news of new orders for Shorts and for Harland and Wolff—both important employers, and key parts of the sector employing skilled and technical labour in Northern Ireland. Harland and Wolff received an order from British Petroleum for a floating production system, which is especially welcome as it may well offer access to a whole new world market as oil production moves further and further offshore.

The Ministers will remember that both Opposition Front-Benchers and hon. Members from Northern Ireland have pressed that case, and the need to secure the future of Harland and Wolff, very strongly in the Chamber, and I am sure that we all welcome the news.

We are awaiting the follow-up from the Washington conference and hoping for new investment for other industries from that. We need to echo tonight the concerns expressed by Baroness Denton that the recent disturbances should not discourage inward investors and frustrate the strenuous efforts that we have all put in on behalf of Northern Ireland and inward investment there.

Inward investment—increased investment from the United States and elsewhere—will provide some new job opportunities, we hope a considerable number, in the medium to long term. However, as Labour Members have repeatedly emphasised from the Dispatch Box, Northern Ireland urgently needs a new economic strategy, including an immediate action programme for jobs and longer-term measures focusing on investment, innovation and training. I notice the figures in the Minister's report emphasising the work being put into training, but we must ensure that, for example, the modern apprenticeship ends up with real apprenticeship leading to real skilled work, instead of being regarded as a make-weight training measure.

Northern Ireland needs a change of direction and a new economic strategy that includes measures to help small businesses, which comprise a considerable sector—indeed, a far larger sector of business in Northern Ireland than in the rest of the UK economy—a unified framework for skills training, incentives for businesses to take on long-term unemployed people and to focus on long-term unemployed people, and improvements in nursery care to help in that process.

I say in a slightly stronger tone that we are worried that the Government might be seen to be undermining some of those efforts by ignoring their own guidelines on fair treatment. I shall refer to those later.

However, the fruits of that endeavour are more in the future, and other sectors have considerable difficulties now. The Minister will not be surprised to hear that I once again draw attention to the plight of the construction industry and, more, that I accuse his Department of complacency in its response to the industry's difficulties.

Let us be frank. The problems that confront the industry partly result from a welcome outcome of the peace—the reduction in property damage, in the work undertaken to rectify that and in insurance claims. The Minister will know that I mentioned the problems of the construction industry in the appropriation debate on 8 March 1995. Since then, we have suggested to the Department many measures that could alleviate the crisis. Not only have Opposition Front Benchers drawn attention to that, but the Northern Ireland construction employers have lobbied Ministers and the Department. I also know that that concern is shared by Northern Ireland Members of Parliament who see the situation unfolding. From here, the response seems to be complacency and inertia. The main priority seems to be dogma-driven administrative reorganisation—perhaps arranging a trade sale from the Highways Agency. We are seeing political gestures rather than ways of dealing with the economic realities.

It is not as though the need does not exist. When we discussed appropriation measures in March the hon. Member for Antrim, East (Mr. Beggs)—I see that he is present tonight—raised the need of Larne harbour and the transport system in his constituency. The hon. Member for South Down (Mr. McGrady) highlighted the problem of more rural roads in his constituency. The auditor general has put the backlog of road maintenance at £60 million, while the Minister referred to an extra £1 million for road maintenance. The question one must ask is how far that will go to rectify the £60 million backlog?

The Minister of State, Northern Ireland Office, the hon. Member for Devizes (Mr. Ancram) has announced a welcome, if slightly over-hyped, expansion of the school-building programme. That lies behind the question by the hon. Member for Londonderry, East (Mr. Ross). We have pressed the Department to accelerate the programme. We should remember that the money has already been committed and budgeted for in the Northern Ireland budget. The replies have been extremely complacent. That complacency was to some extent reflected in what we heard from the Minister of State, Northern Ireland Office, the right hon. Member for Westminster, North (Sir J. Wheeler), tonight. The money has been budgeted for and, by bringing forward the programme, we could start stimulating the construction industry.

There is a similar picture in housing. There were only 567 new starts in the public sector in the first quarter of this year, in the face of increasing housing need. There are 22,000 people on the waiting list in Northern Ireland—7,000 in the Belfast area alone. The result of all that in the industry—not my figure or the construction employers' figure, but the figure in the Government's own press release of 10 July—is a 14.5 per cent. drop in construction activity in Northern Ireland over the past year. That is the reality facing the industry and those who work in it. That reality also faces the thousands of young men who hoped to work in the industry, but who now have idle hands.

Unfortunately, for the Government, the dogmas of competitive tendering, hiving off, market testing and—a new word to have entered the political vocabulary—agentisation, are a higher priority. Not only does that distract from the urgent tasks in hand, but it is extremely worrying for the future of Northern Ireland.

The Opposition know the commitment of local councillors and local councils to working for their communities. Today, my hon. Friend the shadow Secretary of State, the hon. Member for Redcar (Ms Mowlam), has been in Ards attending the sixth in a series of economic conferences with local councils, industry, unions and the community. My hon. Friend the Member

[Mr. John Spellar]

for Clydebank and Milngavie (Mr. Worthington) has also been over there. We know the impressive commitment of those local councils.

The Government, for their part, have stated their objective clearly. They say that they wish to restore greater power and responsibility to Northern Ireland's locally elected representatives within a framework of new political agreements which would attract widespread support and take account of Northern Ireland's wider relationship with the United Kingdom and the Republic of Ireland. But the question that underlies that is: what will those locally elected representatives be left to run?

At an accelerating speed the Northern Ireland Office is forcing the pace of breaking up and contracting out, even at the expense of its own fair employment guidelines. It seems to be trying to run a scorched earth policy in Northern Ireland. The philosophy seems to be that if the Northern Ireland Office cannot run it, none of the locally elected representatives can. That is a profoundly undemocratic approach and is extremely worrying for the future and development of local authority work in Northern Ireland and attempts to give responsibility and decision-making powers to those representatives.

That approach can be demonstrated even more graphically in the health service, where the fanatical commitment to compulsory competitive tendering has united opposition across the political spectrum and the communities, not least in the Down and Lisburn area. Here the Government have chosen to allow trusts blatantly to ignore their policy appraisal and fair treatment guidelines. Yet, in response to problems raised by some of the American legislative representatives, they use those guidelines to reassure the American Administration of their good intentions in the area of equal opportunities. The Government have ignored the unequal manner in which cuts will affect women employees who face reductions in wages and conditions.

The opposition to the changes goes far beyond the immediate work force and its unions—Unison and the General, Municipal, Boilermakers and Allied Trades Union. It extends throughout the community, including local councils—I have met local representatives from all political parties—and Members of Parliament, most notably those from the Ulster Unionist party and the Social Democratic and Labour party.

The Government seem to have learnt nothing from their disastrous experience of changing the health service in Great Britain, which has caused massive disruption and a huge increase in bureaucracy. The right hon. Member for Wokingham (Mr. Redwood) drew attention to some of the unfortunate results of the changes that have taken place in England and Wales. Instead, the Government are moving at break-neck speed to establish the same system in Northern Ireland, against the overwhelming wishes of the people and of their elected representatives.

Popular opposition has had some success in slowing down the Government's drive in one area. That opposition, combined with some administrative difficulties, has slowed down the drive towards privatising water. As a consequence, the Government made the welcome announcement that there would be no privatisation of water this side of the next general election.

However, it is also true that the Government's attempts to strip the water authorities of most of their functions will make them a very easy target for privatisation in the unlikely event that the Conservatives win the next general election. It will make the water authorities very vulnerable to a trade sale and, in the meantime, the water industry will be undermined considerably.

We have learnt from the privatisation of water in England and Wales that the certain outcomes are that water charges will increase, metering will be installed, and the fat cats in charge of the water industry will get even fatter. But the people of Northern Ireland do not have to look to England to see what privatisation means in practice. Electricity privatisation has not narrowed the gap between electricity prices in Northern Ireland and in Britain, which has widened to an estimated 30 per cent. That is obviously of enormous concern to hard-pressed householders in Northern Ireland as well as in terms of inward investment.

I understand that representatives from some of the Northern Ireland parties have met the Minister to discuss the issue. They have expressed their concern at the dramatically widening gap in electricity prices. They are extremely worried that, despite some expressions of concern, the Government have taken no action in that area. I hope that, in his winding-up speech, the Minister will be able to give those Northern Ireland Members of Parliament and the people of Northern Ireland some idea of what will be done to close that substantial gap, which has widened even further.

We have put forward some specific proposals. But when Northern Ireland Members of Parliament and I pressed for the transfer of sulphur quotas from England to Northern Ireland, the result was yet more inertia. It is quite astonishing that the Government can transfer carbon dioxide quotas within the European Union from the northern European countries to Spain and yet find it impossible to transfer sulphur quotas from England to Northern Ireland. That is a disgrace. The Northern Ireland Office should press the Department of the Environment to ensure that that transfer takes place.

As you can imagine, Mr. Deputy Speaker, I could refer to a host of other issues—I see the relieved look on your face now that I have indicated that I do not intend to pursue them. I recognise the state of play in this parliamentary Session—I hope to be called by the Chair to speak next Session—and I also recognise the need for Members of Parliament from Northern Ireland to put their constituents' cases.

In conclusion, I urge the Minister to pay greater heed to the wishes of the people of Northern Ireland and to draw back from the application of rigid dogma, of which I hope that I have given some examples tonight.

9.24 pm

Rev. Martin Smyth (Belfast, South): Perhaps the small number of Northern Ireland Members here tonight pinpoints a certain insensitivity on the part of the Northern Ireland Office—arranging the debate to suit itself—or of the business managers. Someone, it seems, was unaware that this is the high holiday period in Northern Ireland. Others can take their holidays in August with their families, but this is our holiday time. Hitherto, this debate has always been held in the last week of June. I repeat: we are right in the middle of the main holiday period in Northern Ireland.

I should like to mention another sort of insensitivity as well. The hon. Member for Warley, West (Mr. Spellar) mentioned a meeting of representatives of the SDLP and the Ulster Unionist party with the Prime Minister, to deal with economic issues. I confess that we sometimes wonder what the agenda really is.

That meeting should have made the headlines, but, as certain people emerged from the meeting with the Prime Minister, they carried with them—furtively—the announcement that the Secretary of State for Northern Ireland was to shake hands in Washington with the erstwhile Member for Belfast, West—who never sat in this place but who, when he did not win a seat, wanted to come and speak here.

As a result, we have witnessed a charade which has meant that the wrong headlines in the newspapers displaced one of the most important developments in Northern Ireland for some time. I mention that merely because I believe that the House should be aware of some of the problems. We are sometimes told that, if all the parties in Northern Ireland will work together for the good of all the people, things will happen. Latterly, it has appeared to us that there is a different agenda. Things do not happen when we work together, as the hon. Member for Warley, West said of council co-operation.

In June last year, the Minister of State, Northern Ireland Office, the hon. Member for Devizes (Mr. Ancram), winding up the debate, chided us for not talking up Northern Ireland. He said that anyone listening would have heard only laments and groans. I said then that part of our task is to pinpoint areas of need, but today I want to record some of the promising developments in the Province.

There has been reference to cuts in the construction industry. Earlier, the Minister referred to the cross-harbour bridge. The contract for that was completed within time and within budget—one of the few occasions in the United Kingdom when such work has been completed within the contract time and budget. The construction industry could have been rewarded by being allowed to get on with the much needed second-stage development.

In Northern Ireland, we await the arrival of supermarkets which have spotted an opportunity there. Some of us have been telling them about the opportunity for a long time. They did not need the so-called peace process to give them the dividend they want. Entrepreneurial people in Marks and Spencer, British Home Stores and other groups have already discovered better returns on their investments in Northern Ireland. In the worst possible times they were prepared to do the best possible things—and they succeeded.

I hope that those who come in future will make equally successful investments; but the infrastructure could already have been under way in North Down and the cross-harbour reaches. I look forward to an early start on completing the project.

There are other important matters. In that debate, my hon. Friend the Member for Upper Bann (Mr. Trimble) asked the then Minister how many pure visitors there were in total. We were later given a figure of one in five. I wonder whether the purity has increased, or whether the ethnic people are still coming back.

We are always accused of having showery weather, but this year we have had outstanding weather and have sent many a person back to the homeland blistered and burnt because they did not expect that it would be so warm in Northern Ireland. It is a good place for tourists and visitors. I have to be frank and admit that, as in some other places, there is a "not in my back yard" approach, because we want the beaches for ourselves. However, we welcome tourists and visitors.

As the Minister has responsibility for the environment, I hope that tonight he will help us on questions that have been regularly raised about Orlit houses. Last time, they were raised by my right hon. Friend the Member for Lagan Valley (Mr. Molyneaux) and my hon. Friend the Member for Antrim, South (Mr. Forsythe). Will Northern Ireland and its people continue to be disadvantaged when others have been helped along with that poor housing which was built in the past?

I come now to the vote for the Department of Education, and in particular a thorny problem which is causing deep concern. I admit that we are told that it is only for discussion at this stage, and that the Minister has not yet made his decision. But we have been down this road many times, and it has been rare that Ministers in Northern Ireland have gone back on a discussion document and overruled the thinking that has come forth from the Department.

I refer to the wonderful decision that the best way to reform education provision in Northern Ireland is to cut the number of boards from five to four, and to amalgamate the Belfast education and library board with the South Eastern education and library board. That is supposed to save about £2 million. But when one takes into account the redundancy payments to those who will be laid off, I suspect that that figure will be neutralised, so that cannot be a valid reason.

The consensus among those involved is that the amalgamation is a bad idea, and is on the table only so that the Department can save face. It was not even an option in the first consultation period. It became an option only when the Department found out that its other proposals would not work. The South Eastern board represents a massive, largely rural area. The proposal has been brought forward by a Department which has meddled in a sectarian way with the administration of education in the Province.

The five boards supervised the controlled schools, the maintained schools and the integrated schools right up to the Department. As I understand it, they have worked remarkably well, but, at the behest of one branch of the Church, the Council for Catholic Maintained Schools was brought into being. As a result, the mainline Protestant denominations, who in the past were pioneers in the provision of education facilities in Northern Ireland, transferred their schools with the understanding that there would be an education system for people in Northern Ireland. They were given transferrers' rights, and, bit by bit, those rights have been eroded. Why?

I want to put it on the record that I have been invited on 2 September as a former student in Magee university college to mark the 150th anniversary of the Martha McCrea Foundation. That was a liberal arts college in Londonderry with a theological faculty attached, which was open from the outset to all students irrespective of where they came from. In my day, it was attended by members of the Roman Catholic community.

Because the administration of Northern Ireland observed the letter of the law as laid down in the Government of Ireland Act 1921, as I went to that college,

[Rev. Martin Smyth]

I was not given a scholarship. I was qualified to attend either Queen's university, Belfast or Trinity college, Dublin; had I attended either, I would have been eligible for both scholarship and grant.

We are told that Northern Ireland has discriminated against the Roman Catholic community in favour of the Protestant community. It seems to me that discrimination at that level began only under so-called direct rule. I believe that more than £2 million has been set aside this year for the administration of the Council for Catholic Maintained Schools. Is that why one of the boards—where both Roman Catholics and Protestants are employed—must be got rid of? Is it to finance that departure in the education system?

Will the Minister reconsider the foolish suggestion that has been made? The proposed amalgamation is likely to affect the education of children in both border areas. It will create a super-board much larger than the others; administration will be unwieldy, and it is feared that the less well-off areas will siphon off a disproportionate amount of the available funds.

My hon. Friends have already raised the issue of the fabric of our schools. I am talking not only about maintained schools, but about controlled schools—schools that were built just after the war. I went to a grammar school whose prefabricated buildings were erected after the first world war; I visited the same classroom 30 years later. We are now asking young people to attend classes in prefabricated structures, 40 or 50 years after those structures were built.

One such building is in what is now known as Wellington college, in south Belfast. In an attempt to meet the Government's demand for co-education and rationalisation, Carolan grammar school—a girls' school—was amalgamated with Annadale grammar school, a boys' school, to form Wellington college. Development was promised, but it has not taken place. Now the intention is to move Deramore high school—which was a secondary modern—to Larkfield, leaving the inner city of Belfast devoid of secondary state education.

We have argued against it, but the intention is to move the growing enrolment of young people at Wellington college to the Deramore buildings. That is intended to happen in September, but no money is available for the improvements that are required to bring the school up to the standard that is needed for modern grammar school education, particularly in science. That is a scandal and a disgrace.

Other avenues must be considered. One school has had financial provision for the employment of an additional teacher this coming September. The school, however, is bulked out and no accommodation is available. When the case for the additional teacher was made, surely the school's plea for additional accommodation funding should have been heeded. Here we have an extra teacher with no place. If this summer weather continues, perhaps she will go back to teach in the old hedge schools, out in the hedges of the country.

The irony is that, one year ago, a school not five miles away was allowed to dispose of a mobile classroom for £150.

Mr. Beggs: I know a little about the disposal of mobile classrooms. The fact that that mobile was disposed of for £150 would suggest that it was in the same state as many of the mobiles in the North Eastern education and library board region, where we could not even get an offer of £150 for one mobile, because of the poor and dangerous state into which it had developed over the years.

Rev. Martin Smyth: I accept my hon. Friend's point, but the my point is that, if that mobile was available and had been used at that school, but was surplus to requirements, and if the school could not afford either a new mobile or an extended building, surely better housekeeping arrangements should have been made than disposing of the mobile for £150, and leaving a school with an extra teacher and extra children, but no place in which to teach them.

May I turn to health? A problem is developing in Northern Ireland which I have discovered has also developed in England and Wales and in Scotland. That problem involves the closure especially of geriatric facilities and statutory homes. Ostensibly, the reason for closing and disposing of many of those homes is that they are out of date, and that it would cost too much to modernise them.

Too many residential and nursing homes have been provided in the private sector. Sooner or later, we will come unstuck on that one, as the owners will not be making the profit that they should be making, and we do not have the statutory provision.

What I have discovered is causing a great deal of concern where health needs exists. Who pays for health need in a residential nursing home? Is it, as here, the local authority, under social services, or is it the health service? In Northern Ireland, that should not be a problem, because there is an integrated health and social services system. However, an elderly person was put into a nursing home not because that was the family's choice—remember "patients first", and that "patients' choice" is the cry—but because the doctor could not get the lady into a hospital. No bed was available, so they had to put her into the nursing home, and of course the family must pick up the tab.

I understood that, in the national health service, we have treatment free at the point of delivery. When that matter was raised with the Minister, the answer came back that the general practitioner was acting as the agent of the family; but the GP was acting simply as a doctor who had a patient who needed hospital care, which was not provided or available, and which had to be provided in a nursing home. That argument is false.

Having said that, I put it on record that the South and East Belfast community trust is one of the most progressive community trusts in the United Kingdom. In fact, it has been taking part in a European experiment, and will in all probability be the United Kingdom's centre of excellence for care in the community. I pay tribute to the trust's board, executive and staff, who are pushing ahead to get the best possible care for people in the community. That is the thrust of our community care programme.

People discovered, as some of us on the Select Committee said some years ago, that it may not necessarily be cheap care. Some went in for community care because they thought that it would save money on long-term care, but, if the average person is looked after in his own home, he will find that, no matter where he roams, there is no place like home. That notion is being found helpful in the south Belfast area.

I now raise a subject that affects everyone, and certainly those involved in looking after young people under five who have special needs. The bureaucratic approach is to state that a child under five can be wheeled in a pram. I remember that, when I was a lad, my mother wheeled me to school, then to hospital, and then back to school for five or six weeks, but I am not speaking now of such a situation. I am thinking of a child who might not even be expected to live beyond five years but who, at three years old, needs to be lifted and led, as they say.

I received a letter from a Minister saying that it is not the diagnosis but the effect that is the deciding factor. Therefore, a youngster who is unable to walk, who is partially sighted and who has other problems, is supposed to be left at home. I disagree entirely, because someone will have to be at home to look after him. The parents will then have to take the youngster with them, but the youngster cannot go on public transport. He needs a private taxi, because the parents cannot afford a car and do not qualify for a mobility allowance, because of a bureaucratic decision that children under five do not need it.

The Northern Ireland Office has experimented in other spheres; perhaps it should now lead the rest of the nation in acting more humanely. One may be taught the theory of social care, and one may even be involved in hospital work, but unless one is faced with a child such as I have described, one cannot understand the real problems. I ask the Minister to think again about the problem.

I shall conclude, because my colleagues want to speak. I am, however, aware that we have a bit longer than usual tonight, because of the absence of some who might have spoken for an hour if they had had the opportunity. We have been talking about building a complete European network and building tunnels, so may I ask whether any consideration has been given to bridging the most expensive expanse of water by building a tunnel from Portpatrick to Donaghadee?

9.48 pm

Mr. Clifford Forsythe (Antrim, South): We tend, in these debates, to go round the houses, the street lamps and the pot holes, but my hon. Friends and I will do our best to keep our comments reasonably to the point and try to stick to the important issues that we can think of.

I want to mention just one constituency matter that is relevant to the Department of the Environment vote 3 on water and sewerage services. I had the unfortunate experience of making representations to have a drainage pipe fitted in Ballycorr road, Ballyclare, so that flooding of houses there, which had gone on for years, would cease. I am glad to say that, eventually, the work was done. I was assured that everything was under control and that I would not need to bring my plumbing expertise to bear any longer. Unfortunately, there was flooding again last month and there has been more flooding this month.

I raise the point for one reason. I was informed by my constituents that, when they asked why the problem had recurred, they were told quite bluntly by those who came to see them that it recurred because there was not enough money to fit the proper pipe. Will the Minister tell the House whether that was indeed the case and whether piecemeal work was done—not to solve the problem, but to keep a few people quiet? Is not that a waste of money? If the money is not supplied at the beginning and the proper size piping is not fitted, public money is wasted.

I again put on record my and—I am sure—my party's objection to water privatisation in Northern Ireland. We are glad that it is not going ahead, but we would still oppose such a proposal if it were to be presented some time in the future.

I shall move on to the Department of Health and Social Services vote and raise a matter that is dear to the heart—perhaps that is the wrong expression—of some of my hon. Friends. I refer, of course, to the Child Support Agency. As I am a member of the Select Committee on Social Security and since I have a little experience of the subject, I receive an awful lot of the complaints made to my hon. Friends which need investigation.

I had a case recently of a working wife. A court decided that payments were to be made to her. She has three children and had been receiving a very small amount of family credit, but when those payments came to the notice of the CSA, she was immediately put on its books. Unfortunately, when the assessment was made, the court order was stopped by the CSA and she received no money from the courts. Not only did she not receive court order payments, she did not receive any money from the CSA either. The CSA simply said, "Hard luck, that is the way that it works. We are afraid that we cannot do anything for you." Naturally I am raising that matter in other places, but I must put it on record that, if that is the way the legislation works—I understand that it is—it is a disgrace.

I have said before in the House that every party agreed with the child support operation and that it should work for the benefit of children and those who look after them. When the House passes legislation that creates a problem such as I have described, the sooner it is cleared up the better.

Mr. Beggs: Does my hon. Friend agree that, such is the stress and strain being put on many young men in Northern Ireland who are setting up second homes, but who feel a real duty to children by a former wife, they are almost on the point of nervous breakdown? As an alternative, they are contemplating giving up secure employment because they cannot afford to live on what is left of their earnings after the CSA payments are taken out.

Does my hon. Friend agree that greater allowance must be given to responsible fathers who seek to provide overnight stays for their children, sometimes for as many as 100 days a year, so that they can keep the family relationship going? Those men get no relief from payment and some change must be made soon.

Mr. Forsythe: I thank my hon. Friend for his comments. I know that such things are happening not only in Northern Ireland, but in the rest of the United Kingdom. The legislation does not allow for certain expenses, so problems occur. I am sure that the Minister, the Secretary of State and the Department concerned are examining the problem to see whether things can be made a little easier. The object of the exercise was to look after the children. It would be most unfortunate if those who are in employment were to give up their job to look after their second family.

Leaving the legislation to one side, we find that there are still incorrect assessments. We also find that, when assessments are made, they are not being paid—sometimes for good reasons. It takes too long to make assessments, and arrears may go back some time to when assessments were first made. Those who want to pay and to look after their children, and those who need the money

[Mr. Forsythe]

to look after the children, find themselves heavily in debt, which causes great problems. I hope that the Department is still considering that problem, which applies—unfortunately—to the whole of the United Kingdom. Child support is an example of a very good idea that seems to have gone wrong.

In Northern Ireland, the attendance allowance board has to decide whether an allowance should be paid in certain medical cases. It made decisions about young children with diabetes, but, sadly, its decisions were different from those taken in Great Britain. When I asked the Minister about those decisions, he simply said that they were a matter for the attendance allowance board.

I should like the Minister to tell me—he can write to me if he does not have the answer now—who made the policy decision that the attendance allowance board in Northern Ireland would not treat young children with diabetes in the same way as they were being treated in the rest of the United Kingdom. It is a simple question. To say that the Northern Ireland attendance allowance board treated children in Northern Ireland differently from children in Scotland, in Wales and in England is not an answer. I want the Minister to tell me who made the policy decision that children with diabetes in Northern Ireland should be treated differently from children in the rest of the United Kingdom.

I am also rather worried about planning, where changes are proposed. Although we like changes in planning if we think that they will mean an improvement, the situation is not satisfactory if we still find different decisions being made in different parts of Northern Ireland. Planning permission is given for golf courses all over Northern Ireland, yet other applications which seem to have a good case are disregarded. There must be a lot of golfers among the planners; we certainly have a lot of golf courses.

For example, planning permission was given for a golf course in part of my constituency but, for whatever reason, the scheme did not go ahead. Quite nearby, a church required its manse to be extended but, because the existing building could not be extended, there was an application for planning permission for a new manse close to the church. When the people there inquired about the application, they were told that they had no chance of getting permission for the much-needed manse even though it was for a minister who encourages many local activities other than golf—including some sport and all sorts of other things—which are good for the rural community. I hope that, although the initial inquiry was frowned on, good sense will provide an answer.

Mr. William Ross: My hon. Friend has drawn attention to one of the cases in which the agricultural requirement for planning permission in rural areas should be set aside. The matter has been overlooked in the past. Can we rest assured that planners will be instructed to treat dwellings for clergy on the same basis as agricultural buildings?

Mr. Forsythe: I agree with my hon. Friend, and I hope that the Minister is listening. I am sure that he is. As he is a sympathetic Minister, I am sure that he will give us a good answer.

I hope that the Pensions Bill will be introduced in Northern Ireland as quickly as it is in Great Britain—even simultaneously, perhaps. There are still some aspects of it with which we disagree, such as the lack of pensioner trustees. None the less, I hope that it will be introduced in Northern Ireland as in Great Britain.

My hon. Friend the Member for Belfast, South (Rev. Martin Smyth) mentioned the Eastern health board, which looks after Muckamore Abbey, a hospital for mentally handicapped patients that lies in the Northern health board area. Unfortunately, the Eastern board—or, rather, its successor—is thinking about making changes or, perhaps, even closing it.

It would cause great sadness if all the dedicated and expert staff were pushed to one side and disregarded. Many patients in Muckamore Abbey need to be in such a hospital. Although the hospital is funded by the Eastern board, the patients come from all over Northern Ireland. The hospital has a tremendous reputation and has been doing a wonderful job for years, so I hope that that it and the expertise there will not be lost to the whole community in Northern Ireland. It should not be beyond the scope of the Department to make its views known, and to say that the abbey should be updated to continue to look after those who are unable to go into the community. There are still many people who are not able to do that.

The last thing that I want to mention is the statement made today in the House about the Nolan report. Can the Minister tell us what the situation is with regard to the report's application in Northern Ireland? The Chancellor of the Duchy of Lancaster said today:

"We shall act quickly and positively on the Nolan committee's recommendations concerning appointments and propriety in public bodies".

In other words, quangos. He went on to say:

"In particular we shall appoint a new commissioner for public appointments to offer guidance, monitor and audit departmental appointment procedures. This post will be advertised in a matter of days."

Will the commissioner cover Northern Ireland? Will he be responsible for the quangos that are created in Northern Ireland? Are we to have a separate commissioner in Northern Ireland? Will we have a committee, as is mentioned in recommendations 36 and 37 in the Government's response to the Nolan committee? The recommendations say that all appointments to such bodies

"should be made after advice from a Panel or Committee which includes an independent element."

Recommendations 34 and 35 of the Government's response to the Nolan committee really hit home as far as Northern Ireland Members are concerned. Recommendation 34 talks about merit, and says that

"The Government welcomes the recommendation which reflects, as the Committee recognises, a long-standing and continuing practice which is 'deeply ingrained in British public life'."

Members of my party would certainly agree with that, although there have been a number of occasions when we have felt that that has not been applied in Northern Ireland.

Recommendation 35 talks about the skills and balance of those who are appointed to such bodies. I am afraid that there has not been a great deal of balance in those appointed to be members of such bodies in Northern Ireland. Even if the Minister does not tell us that all of the measures are to be applied in Northern Ireland, I hope that he will have read the Government's response to the Nolan committee report and that he will see that it is

implemented as soon as possible in Northern Ireland. I can assure the Minister that that would be one case when he would have our full support.

10.8 pm

Mr. Roy Beggs (Antrim, East): Vote 2 addresses expenditure for housing services, including certain grants in aid. Throughout my constituency, the right to buy introduced by the Government has encouraged and enabled many former tenants to purchase their homes from the Northern Ireland Housing Executive. These new owner-occupiers have made impressive improvements to their homes. Many of those who have recently purchased their homes do not qualify for any modernisation grant. Neighbouring properties still owned by the Housing Executive are undergoing extensive renovation and refurbishment, so those who recently purchased their homes and do not qualify for a grant feel, to some extent, let down. Another concern is replacement grant, with which my hon. Friend the Member for Londonderry, East (Mr. Ross) will deal.

I appeal for greater priority to be given by the Housing Executive to providing adequate heating facilities in all the older Housing Executive properties. Many of those properties are more than 30 years old and still have only one heating point. In many, the high cost of electricity prohibits sufficient heating to prevent dampness and mildew on walls and ceilings, which even causes dampness to bedclothes. The provision of adequate heating could contribute significantly to improving the general health of adults and young children in many housing estates throughout Northern Ireland.

Therefore, will the Minister endeavour to ensure that the Northern Ireland Housing Executive has sufficient funds available to approve grants to applicants who seek to carry out much-needed improvements to their homes? Families in my constituency are living in mobiles because the old farm accommodation is not up to public health standards and people have been waiting for months for approval from the Northern Ireland Housing Executive, but apparently insufficient money is available. If work is started before approval is given, no grant is payable.

So here is an opportunity, at a time when we need to assist the construction industry, to protect thousands of jobs and create hundreds of new ones, to make money available to the Northern Ireland Housing Executive to enable it to grant approvals so that people can get on with home improvements.

Rev. Martin Smyth: Does my hon. Friend agree that it would be even more helpful if the Housing Executive collected all the details required at once, instead of spinning it out over months and then, rather than simply allocating on the date of application, give priority to those with greatest need for weather proofing or whatever else is required in their homes?

Mr. Beggs: I endorse my hon. Friend's suggestion. When people make an application, it is important that the officer who visits the home takes a little time while he is there to offer guidance so that the applicants know precisely all that is required of them. Sadly, the Housing Executive makes too many repeat requests to applicants for additional information. Regrettably, it does not start consideration within the grant approval queue until all the information that it requests is available. I hope that managers will exercise good sense and, where it is urgently required, keep a roof over people's heads by granting approval at an early date, but if the Housing Executive's regional office does not have the funds to release, nobody can benefit.

I mentioned the priority that should be given to upgrading heating in people's homes and the difficulties experienced because people cannot afford the expense of electricity in Northern Ireland. I was disappointed that the Minister of State who opened this debate, the right hon. Member for Westminster, North (Mr. Wheeler), made no reference to anything being done in the immediate future to reduce the high cost of electricity to both domestic and industrial consumers. I simply ask when we can expect a significant reduction in electricity prices in Northern Ireland.

The water service staff of the Department of the Environment have been responsive to the cries for help from my constituents of Fernagh drive, Fernagh gardens and Fernagh avenue of Newtownabbey, County Antrim, when their properties and homes have been flooded. It is an absolute disgrace that the occupiers of those houses should lose carpets and all their household furniture on the ground floor every time there is a heavy rainfall. That occurred most recently on 11 June, when heavy rainfall draining into the sewage and storm drain disposal system resulted in a foul mix of rainwater and sewage flooding backyards and entering sub-floors through ventilators. Because that water could not get away, it built up and entered homes underneath back doors. Those unfortunate householders have lost everything, and not for the first time. The Department is aware of the problem. Help is what is needed now, not sympathy from officials.

The roadway at Fernagh gardens does not even have a single gulley to take rainwater away. If there ever were any gulleys on that roadway, they have been tarmacked over for a long time. It is obvious that the existing sewerage and rainwater drainage system cannot cope, so I appeal to the Minister to take steps to see that that nuisance does not happen again. My constituents deserve to be protected from future flooding and that will be possible only when a proper drainage and sewerage system is put in place.

Can the Minister tell the House whether any provision is being made to enable area boards to build new nursery schools or to adapt empty classrooms in primary schools to create nursery wings? Are any additional training courses being funded by the Department of Education to provide the trained staff who will be required to cater for those children who will benefit from the increased access to pre-school nursery education that has been announced for Northern Ireland, commencing in the school year, 1996-97?

Is there sufficient funding in the allocations that have been announced tonight to address the urgent need to replace old school buildings, some of which are in a dangerous condition? Is there sufficient funding to replace mobile classrooms across Northern Ireland with permanent accommodation? Will funding be made available to help voluntary grammar schools, such as Dalriada in North Antrim, where parents have already contributed to raise their share of the necessary funding for new modern facilities to enable the national curriculum to be delivered? When those in the private sector have spent years fund raising and collected the required amount, it is a great pity that progress,

[Mr. Beggs]

redevelopment and new improvements are delayed because the Department of Education cannot match that private funding.

I would like an assurance tonight that, subject to a suitable site being obtained in the Millbrook-Larne area of my constituency, such expenditure as is necessary will be made available to the North Eastern education and library board to enable Millbrook primary school to be relocated to a safer and more secure site.

In common with the hon. Member for Warley, West (Mr. Spellar), my colleagues and I welcome the steady decline in unemployment in Northern Ireland. However, we have a long way to go in tackling the problems of long-term unemployment.

At this time of great expectation of increased inward investment, may I again place on record the growing perception that my constituency, as a mainly Unionist constituency, has been and is being discriminated against, and is not obtaining a proportionate share of new investment? We have lost many large employers over the years—Imperial Chemical Industries, Courtaulds, Carrera Rothmans, GEC Alsthom, Klingers Yarns and many more.

I welcome recent investment, but not enough jobs have been created to make up for jobs lost to date, in spite of the excellent record of good industrial relations throughout Northern Ireland and the fact that we have a well-educated, highly skilled and willing work force.

I endorse and fully support the remarks made by my hon. Friend the Member for Belfast, South (Rev. Martin Smyth) regarding the Department of Education's proposals for change. I emphasise yet again the cross-party commitment to opposing the removal or abolition of the South Eastern education and library board. That proposal has caused widespread worry. In the proposals, it was suggested that, in future, the education and library boards might be responsible for funding the voluntary grammar schools. It would be helpful if we were told tonight what advantages are likely to accrue to voluntary grammar schools, should funding responsibility be transferred from the Department of Education to the area boards.

There is already evidence of a tourism boom in Northern Ireland, but also evidence of a serious shortage of bed accommodation. It was encouraging to hear the recent welcome announcement by the Minister responsible for economic development of new hotel developments that we can expect in the near future. May we have an assurance that the Minister will request the Northern Ireland tourist board to speed up assessment of proposals for grant aid to provide new bedroom accommodation, and to provide active help to local hoteliers instead of repeatedly moving the goalposts and delaying projects, some of which might have been completed months ago but have not started?

The hon. Member for Warley, West mentioned recent difficulties in Northern Ireland. In conclusion, I remind the House that the very limited recent disruption in Northern Ireland has been less damaging to the Northern Ireland economy than the daily cost to the United Kingdom economy of the recent rail stoppages. There is good will throughout Northern Ireland. The best way to secure the peace is to continue to attract and support inward investment and to locate new manufacturing industry in places where it is accessible to all sections of the community.

10.23 pm

Mr. William Ross (Londonderry, East): Whenever our debate is held somewhat earlier than this one, usually several Members from Northern Ireland and several Labour and Conservative Members take part. This evening, we are confronted with acres of green leather with very few inhabitants.

Mr. Peter Bottomley (Eltham): It is the marching season.

Mr. Ross: The hon. Gentleman has experience in Northern Ireland. No doubt, whenever I sit down, he will express his point of view about what should be done, as he takes a keen interest in those matters.

There is one notable figure missing this evening: Jim Kilfedder is no longer with us. He was an assiduous attender at such debates and always fought his case well for the people of North Down. He is sadly missed in the House. Although we on this Bench did not always agree with Jim, we have always been prepared to admit that he was active in pursuing his constituents' interests, not least in debates such as tonight's. One hopes that his successor will, on future occasions, adopt the same approach. He has conspicuously failed to do so this evening. Jim Kilfedder defended the interests of the people of Northern Ireland with honour and he deserves a word of praise from this Bench in tonight's debate and I am glad of the opportunity to make a few remarks about him.

There are a number of subjects that we can talk about in the debate, which involves the second tranche of Northern Ireland expenditure. It is the second bite of the cherry that we have every year. The debate is important to Northern Ireland. It is the time when we bend the Minister's. We not only ask him about expenditure for the current year, but to look forward to succeeding years so that the mistakes and problems of expenditure, which we see appearing, and which have appeared, as they always do, can be attended to. The Minister can then take steps to alter course before he makes his decisions about who will receive the money and how much they will have to spend next year and the year after.

The Minister has already heard from this Bench this evening and on former occasions what our priorities are in each aspect. The priorities are sometimes party based—in relation to strategic spending in Northern Ireland—and, on many occasions, they are constituency based. The debate gives us the opportunity to make our case to the Minister.

There is deep concern on these Benches about the proposed reorganisation of the Department of the Environment. We see that as the continuing mushroom growth of quangoland. There are far too many quangos in Northern Ireland. It is no good the Under-Secretary of State for Northern Ireland, the hon. Member for Cambridgeshire, North-East (Mr. Moss), shaking his head. When he replies, he will probably say that that has to do with next steps agencies, but next steps are just that—only steps, one following the other. The next step invariably leads to a quango, if that creature can be created. We know where that has led: Northern Ireland is being run more and more by people who have never dared to put their name on the ballot paper, and never will because they know what the result would be. Such people are totally untouchable by the electorate; their activities and power in Northern Ireland are resented by the entire population of that place. It is no good the Minister shaking his head.

Rev. Martin Smyth *rose—*

Mr. Ross: Does my hon. Friend wish to intervene? I know that he has strong views on the subject and I am happy to give way to him.

Rev. Martin Smyth: I appreciate the hon. Member giving way. Does he accept that it is not a valid argument for a Minister to say that the Government are following through the pattern in this place when they regularly tell us that Northern Ireland is different and we must do other things there? Is it not time that they returned to accountable democracy so that civil servants are accountable to people who know about the issues?

Mr. Ross: I accept what my hon. Friend says—if he had let me continue for a minute or two I was about to say it myself. As it happens, I go further: we have seen the end result of such moves on this side of the Irish sea and we have no particular wish to feed the fat cats as there is not nearly as much cream in Northern Ireland as there is here. I fear that whenever they got the cream, there would be precious little left for the ordinary man or woman. I am surprised that we have not heard some hurrahs from the two Labour Members—no doubt they will get round to it when they think about it.

Many of the matters that are in the hands of quangos would be far better and properly run by Government agencies. In Northern Ireland we have a long tradition of running such matters efficiently. If we had democratic control, we would be even more efficient.

My hon. Friend the Member for Antrim, East (Mr. Beggs) expressed regret that the right hon. Member for Westminster, North (Sir J. Wheeler), who opened the debate for the Government, did not refer to the cost of electricity. I did not hear him talk at length about the Washington conference either and the benefits that will supposedly flow from it; nor about the money—the peace dividend—that was to come from the European Community. No doubt in his wind-up speech the Minister will tell us what advances have been made in that area and what inquiries have resulted from the conferences in Belfast and Washington.

The Minister should also confirm whether a rush of people from the United Kingdom and the United States have inquired about the possibility of expanding their activities to Northern Ireland. Furthermore, will he assure the House that when investors appear they will be taken not only to West Belfast or Londonderry but to many locations in my constituency, East Antrim, South Antrim and to other parts of Northern Ireland which need more job opportunities, but which were largely ignored in the past 25 years whenever money and investment came to Northern Ireland?

There is a myth about rich Protestant areas. One has only to look at the unemployment figures in places such as Coleraine to realise that the people there face real hardship. There is migration out of those areas and, if we are to keep our best young people at home, we must provide investment and employment opportunities. We have seen precious little of that in recent years.

Do the Government recognise the need to support home-based industry? Home-based industry must receive treatment that is as generous as that given to foreign firms. When incoming firms seek skilled workers, will the Government ensure that there are training facilities available in Northern Ireland? We do not want to repeat the experience of the Benelux factory at Limavady, which recruited its first 10 or 12 highly skilled workers from Sligo.

There is not much point spending British taxpayers' money building a factory in Limavady to provide employment for people from the Irish Republic. Many of my constituents would have been happy to seek training and obtain employment at the factory. It is interesting that the factory managers went to Sligo and that they did not recruit their highly skilled workers in England. I have also been informed that the factory advertised for shop floor workers in the Irish Republic before advertising in Northern Ireland. I hope that the Minister will inform the noble Baroness Denton, who has responsibility for that area, that I am totally dissatisfied with the civil service answer that I received from her a few weeks ago on the issue. I shall take up the matter with her in the near future.

Will the Minister confirm that the purchase of the Apache helicopter from the United States will be accompanied by the most strenuous efforts to ensure not only that Starstreak is fitted to those helicopters destined for the United Kingdom armed forces but that every effort will be made to sell it to the Americans to be fitted to the 800 helicopters that the United States already has in service? That would be a tremendous boost to the Starstreak programme in Northern Ireland. The massive benefits that would accrue to Belfast and technological advances in the field that would flow to the United Kingdom would be very welcome indeed. We talked to people in the United States about that matter when we attended the conference. We did not spend all of our time wandering around and listening to others; we went out and did our best for the people of Northern Ireland and for our highly skilled work force at home.

Over the years, we have seen the large-scale removal of civil service jobs from the provincial centres mainly to Londonderry. That is greatly resented. We hope that when civil service jobs are moved around the Province other places will again be given some consideration. There seems to be a definite effort to shift incoming employment to certain areas to keep the natives peaceful. The view is that Protestant areas are nice and quiet anyway, so they do not need to be given anything. There is rising anger about that, some of which boiled over in Portadown a week ago.

There has been reference to restoring to the people of Northern Ireland some measure of democratic responsibility. My hon. Friend the Member for Belfast, South (Rev. Martin Smyth) mentioned that. We face the problem, however, of where any elected representatives might sit, since the Government were so good at looking after the Commons Chamber in Stormont that they let it burn down. Perhaps the Minister will be so kind as to tell us what progress has been made on the refurbishment of the Chamber, and whether it will be restored to its former glory. It was a very important public building in Northern Ireland, and there has been a remarkable silence about the whole affair for many months. We have waited long enough for firm decisions to have been taken, and I hope that the Minister will be able to make an announcement this evening. The next time water hydrants are checked over, and no water is found in them, perhaps someone will attempt to find out why.

Mr. Andrew Mackinlay (Thurrock): And the Senate Chamber.

Mr. Ross: I fully appreciate that; perhaps the hon. Gentleman will make his own speech when I sit down.

As the House knows, I own a farm—although it is a long time since I turned a furrow with a plough. That is sad in some ways. The work is sometimes better than here: at least 76,000 constituents cannot ring one up and issue a telling off, six days a week. There is some concern in Northern Ireland about possible changes to tenancy law. Certainly, the Department of Agriculture was asking for people's views on it. What on earth are the Government trying to do? What is the intention behind such possible changes? The system that we have has worked perfectly well for many years. It is very flexible, and there have been no problems with it.

We have another problem, too, related to agriculture. I wrote recently to the Minister about Ballinahone bog. I hope that he understood some of what I said in that letter. I hope that he realises that the matter will not rest there. I want to come and see him, as do others concerned with that area of scientific interest. It is an important bog, and there are important implications for those with peat-cutting rights in the bog. Their interests are being overridden, with no consideration given to their case. I hope, when I come to see the Minister, that those responsible for the decision will be present to defend what I regard as indefensible. People have cut peat there for centuries, and the small-scale cutting going on will never do that massive bog any harm at all.

When trees are cut down after about 35 years on bogs in the hills, a great deal of wreckage is left behind. That problem needs dealing with rather more carefully than it has been dealt with hitherto.

I turn briefly to the system of Housing Executive grants, touched on by my hon. Friend the Member for Antrim, East. Formerly, such grants were related to the condition of a house. The system has now changed from that sound Conservative principle to the much more socialist principle of means testing. Perhaps this is a case of the Tories stealing some unsuitable clothing from Labour—rather than the other way round, for a change. The consequence that flows from that change has been a grant system that is totally at variance with what is needed in Northern Ireland.

We had a good system but we now have a bad system. We must look at it carefully again and try to achieve a sensible system which gives a reasonable amount of help to a large number of people rather than, as is now happening, large amounts of help going to a relatively small number of people.

My hon. Friend the Member for Antrim, East referred to the long delay from initial application. I do not want the Minister to stand up at the Dispatch Box tonight and tell me that it takes only X months. If he does, I shall point out that that is not the time taken from the initial inquiry, which is where it should be, but from about two thirds of the way through the procedure. That is when the Housing Executive clock starts ticking in order to give a completely false impression of the speed with which all the applications for grant aid are being processed.

That is nonsense; we all know that it is nonsense. It is an abomination that any Minister should stand at the Dispatch Box and defend the indefensible in that matter. It is just not good enough. I hope that he will not start feeding me the nonsense that the Housing Executive has tried to feed me in the past over this matter.

The Minister knows that since I came into the House 21 years ago, I was one of those who advocated a replacement grant as opposed to a repair or improvement grant. The hon. Member for South Down (Mr. McGrady) has advocated a similar policy since he entered the House. But we did not get that. We asked that whenever a dwelling was in bad condition the Housing Executive should have the choice of paying a repair grant or paying roughly the same grant to replace the dwelling. What we actually got was a means-tested grant, which can run up to £40,000 in some cases—a ridiculous sum. The end result of that is that many people now cannot get a grant at all because of the large sums that are going to individual houses.

If a replacement grant on really poor-quality rural housing that should have been knocked down, for which we had asked, and equivalent to the grant paid towards repairing a house, had been implemented, the problems that we now face would never have come about. It is because of the way in which the Housing Executive has manipulated the whole thing over the years that we have the present dreadful situation.

Mr. Beggs: Is it not the case that to qualify for virtually the full cost of a replacement dwelling, individuals will ensure that they have no assets to declare and that they will contrive to be unemployed for a sufficiently long period in order to qualify for what is a full 100 per cent. gift from Government, more than could have been saved through a lifetime of hard work?

Mr. Ross: What my hon. Friend says may well be true in some cases, but I personally have not come across that. Anyone that I know who has applied for and been given a replacement grant has been in poor health and poor circumstances. But I can see that what my hon. Friend says could be done, and if it could be done we can rest assured that humanity will do it. Of that I have no doubt whatever.

My final point concerns the problem with Housing Executive allocations to pointed cases. In the town of Limavady one or two dwellings have gone to pointed cases in the last two or three years. All the others have gone to priority cases. That is quite a large number of houses every year. I feel sure that the situation in the rest of my constituency is very much the same, especially in urban areas. The largest percentage of those priority cases seems to be made up of young girls with babies.

A social problem is not being addressed. We are merely applying some ointment by giving those people houses and allowing the state to keep them. We are leaving young married couples who want to start a family in poor accommodation. Will the Minister examine the "points" and "priority" system of letting houses in Northern Ireland, and consider what can be done to give people a fairer crack of the whip than they have been given for many months and, in some cases, years?

The non-fossil fuel obligation entered into by Her Majesty's Government has led to a messy situation. I have considered the matter in some detail, because of the hullabaloo surrounding hydro-electric schemes in Northern Ireland. I have spoken to the Minister's officials, and to officials in the Department of Economic Development. The Government seem to have signed up to produce a certain amount of electricity from renewable sources—wind, water and wave power, for instance—before anyone could quantify what was available from those sources on a sound economic basis.

Having entered into that obligation, the Government are trying to produce a certain amount of electricity by some means, regardless of cost to the environment or financial cost. I believe that they have started from, as it were, the wrong end. We are probably trapped, but we should not allow that to run away with our common sense. I am talking not about windmills—although I hope to return to the subject in a future debate—but about the whole question of the generation for sale of hydro-electric power in Northern Ireland, which will have a wider application throughout the United Kingdom.

Northern Ireland contains a good many rivers that are valuable fisheries for migratory salmon and sea trout. The fishermen, and the owners of the fisheries, have rights; they have economic assets that should be protected. Those who want to generate electricity also have rights, because they own the water-power rights on the river. They have a legal entitlement to develop such sites and make use of them. As it happens, I own such a site—although it has not been in regular use for some years, for reasons that I need not go into. Until a few years ago I ran my own domestic electricity supply from it, and I hope to do so again in the future.

The Government must find a way through the problems involved in those interlocking rights and benefits. When I spoke to officials, I was gratified to discover how much work and thought had been expended. I hope to talk to the Minister and his officials again. I know something about the matter, as an angler who has netted migratory fish in his younger days on a commercial basis, who owns a water mill and whose family has used water mills for centuries. I want a proper balance to be established. If we do not find a solution now, the problem will create headaches for many years.

Mr. David Wilshire (Spelthorne): I hear what the hon. Gentleman is saying about electricity generation. No doubt he is aware that the Northern Ireland Select Committee is considering electricity prices; has he submitted his views to the Committee? If not, would he be willing to do so? The Committee is anxious to find the cheapest way of generating electricity in Northern Ireland.

Mr. Ross: I hear what the hon. Gentleman says, but most of the schemes that I am dealing with this evening and that are available in Northern Ireland are small, run of the river schemes. They are a tiny proportion of the whole. Of course, I would be happy to talk to the Select Committee about the matter at any time, but I want to get my own mind clear on what can and cannot be done on this issue because it is important, although small scale in the generality of electricity generation. It is important to all individual interests in each individual river and site involved. A number of different interlocking issues are to be addressed and resolved before we go on.

Rev. Martin Smyth: My hon. Friend raises the question of non-fossil fuels. Does he agree that the people of Northern Ireland are paying the ransom because the Government decided to ignore the advice against privatisation that we gave in Northern Ireland in the Northern Ireland Committee. Now no one can develop alternative sources of generation for some more years, and the cost of electricity prices rises. Belfast West power station could be turned to waste disposal and would be an amenity to the city, yet it cannot go down that road because of undertakings given to the purchasers of the generating stations.

Mr. Ross: Of course the hon. Gentleman is correct in what he says, with regard not only to the possibility of generating electricity from waste, which has not been fully explored, although I know that some people are considering that, but to the fact that a huge quantity of lignite is sitting in the ground in Northern Ireland and could be used for generation. By doing that, instead of importing electricity from Scotland, England and Wales, we could export it down the line and make a bit of money out of it. I agree with what my hon. Friend says.

The reality is that we could touch on an enormous number of subjects such as this in Northern Ireland in this debate. I am sorry to keep a number of hon. Members sitting around just in case there is a vote; we will not divide, so they can go home if they like.

Mr. Jeremy Corbyn (Islington, North): I have the Adjournment debate to come.

Mr. Ross: I know that the hon. Gentleman has the Adjournment debate. Hon. Members will probably stay and listen to him as well. *[Interruption.]* I promise that I will read the debate.

This debate is a chance for the representatives of the people of Northern Ireland to put forward the concerns that each of them has, and we have tried to make use of that this evening.

I finish by asking one simple question of the Minister. We recently had a letter from his right hon. Friend the Secretary of State for Social Security telling us about the huge amount of social security fraud that has been detected, and what steps have been taken to detect even more of it. Will the Minister assure us that similar steps are being taken in all parts of Northern Ireland, and will he quantify the level of fraud that has been detected and stopped?

10.52 pm

The Parliamentary Under-Secretary of State for Northern Ireland (Mr. Malcolm Moss): This has been a wide-ranging debate. I shall attempt to answer as many as possible of the questions posed to me this evening, but, for the vast majority, I shall be writing to the hon. Members concerned.

I should like to take the opportunity, as did the hon. Member for Warley, West (Mr. Spellar), to consider the Province's economic prospects. The distortion and dislocation that the local economy has undoubtedly suffered in the past 25 years or so may never fully be measured, but, despite the terrorist campaign, the Northern Ireland economy has performed remarkably well, especially in recent years.

The recent news on the economy is extremely encouraging. It is growing relatively faster than the national economy. The seasonally adjusted unemployment figure has fallen in 11 of the past 12 months and, in the year to December 1994, the output level of Northern Ireland production industries has risen by 5.8 per cent. In manufacturing industries, it has risen by 6.8 per cent. That optimistic picture contrasts sharply with that painted by the hon. Member for Warley, West.

As on a number of other occasions, the hon. Gentleman raised the subject of the so-called plight of the construction industry. In the first quarter of 1995, some reductions have taken place in construction output compared with 1994, but the main factor in the decrease

[Mr. Malcolm Moss]

was a drop in the private category of construction work—the category that includes retail and office developments—and not a drop in construction work funded from public expenditure. In fact, the estimated value of construction work from planned public expenditure in 1995-96 is £861 million, some £18 million higher than in the previous year. The redevelopment of the Royal Victoria hospital, at a cost of more than £64 million, which I announced recently, is only one example of how public sector projects are benefiting the construction industry.

We are, of course, helping the industry in appropriate ways by, for example, promoting a training ethos and improving skill levels among the employed and the unemployed. I am glad to be able to report that the number of unemployed construction workers in the Province has fallen by 2,058 over the year to May 1995.

The hon. Members for Warley, West and for Londonderry, East (Mr. Ross) continued to mislead the House and themselves with regard to the process of agentisation. Agencies will remain accountable through their chief executives to Ministers, and Ministers in turn are responsible to Parliament. The relationship between agencies, Departments and Ministers will be governed by a published framework document, which a future national or local administration would be able to amend. Agentisation does not prejudice how a devolved administration would exercise its responsibilities. Some time ago, I wrote to all Northern Ireland Members inviting them to meet me to discuss agentisation but, as yet, I have not had the pleasure of a reply from them.

The hon. Member for Warley, West also mentioned policy appraisal and fair treatment, or PAFT. He alluded to a dispute—

Rev. Martin Smyth: Will the Minister give way?

Mr. Moss: If I must.

Rev. Martin Smyth: I wonder whether the Minister misunderstood the letter that was sent to us asking us to discuss development in Belfast, because we have not received any information about an agency.

Mr. Moss: I was referring to the process of agentisation in the Department of the Environment, which I know exercises the minds of hon. Members. I repeat the invitation for hon. Members to come and talk to me about it, because they seem to be labouring under the misapprehension that agencies are non-departmental bodies. They are not; everyone working in an agency within the DOE will be a civil servant.

The hon. Member for Warley, West spoke of a dispute in the Down Lisburn trust. I must tell him that the dispute was engineered by Unison to further its campaign against the Government's market-testing policy. Unison took the matter to court and lost the case. However, in the absence of a written judgment, I do not feel that it is appropriate to comment on the details of that case at this juncture, other than to say that I fully support the Down Lisburn trust in its competitive processes.

The current situation is likely to release some £700,000 each year over the next five years, a total of some £3.5 million. That is in addition to the £500,000 a year already being saved in that trust as a result of the first round of market testing, which began five years ago. To put the figures in context, let me tell the House that the £700,000 a year of savings from competitive tendering equates to a total of more than 450 elective surgery cases each and every year.

The question of water privatisation—

Mr. Spellar *rose—*

Mr. Moss: I must press on. Time is short.

The hon. Members for Warley, West and for Antrim, South (Mr. Forsythe) mentioned water privatisation. I am happy to confirm once again from the Dispatch Box that there will be no water privatisation in the lifetime of this Parliament. I see that the hon. Member for Antrim, East (Mr. Beggs) knows the words and can repeat them.

If we are to make progress, however, we need to facilitate a more commercial approach to the provision of water and sewerage services, by establishing more direct customer billing to separate funding from the overall local taxation arrangements. While detailed proposals have yet to be produced, a consultation document will be issued in advance of any change to existing arrangements. I again confirm that routine metering of purely domestic water supplies is not under consideration.

Mr. Spellar: Does the Minister believe that it is appropriate and right that health trusts should apply the PAFT guidelines in considering bids for compulsory competitive tendering?

Mr. Moss: I am happy to confirm that we have written to the trusts to say that they should consider the PAFT guidelines, but initially, because it was policy appraisal, we deemed it appropriate that those guidelines should be the responsibility of the health boards and the management executive, and not at the operational level of trusts.

The hon. Member for Warley, West also raised the question of sulphur quotas. We are looking carefully at that, but at the end of the day, there is no guarantee that it will lead to lower electricity prices. It will depend on the relevant price movements of the sulphur oil, as he well knows, but we are looking into it.

On electricity, raised by the hon. Members for Warley, West and for Antrim, East, prices in Northern Ireland have in real terms been fairly stable since privatisation. The problem we face is that prices appear to be rising rapidly because they are falling in Great Britain. Price regulation is really a matter for the industry and the regulator, but the Government are certainly prepared to help by, for example, allocating large amounts out of the European programme to the cost of the gas and electricity interconnectors. Indeed, my right hon. and learned Friend the Secretary of State recently announced the provision of additional assistance, to ensure that Northern Ireland consumers will enjoy equivalent benefits to their counterparts in Great Britain when the nuclear levy is abolished in 1996.

The hon. Member for Belfast, South (Rev. Martin Smyth) mentioned Orlit dwellings. I repeat what I have said in correspondence to him and his hon. Friends, that we could not justify new legislation or any spending of public money to help people who purchased Orlit dwellings in the private sector. He also mentioned the cross-harbour bridge, and I am happy to say that work has recently commenced on the first part of the direct link

between the M3 Lagan bridge and the Sydenham bypass and is scheduled for completion in April 1996. That will be followed by a second contract to reconstruct the Ballymacarrett flyover and complete the link to the Sydenham bypass before the end of 1997.

The reorganisation of education boards was raised by the hon. Member for Belfast, South and others, including—I think—the hon. Member for Antrim, East. We announced proposals for changes on 10 April. The two-month consultation period ended on 9 June and the Government are now considering the various representations received before the final decisions are made. It is important to say that any proposals made for such changes were based on sound educational reasons and not the reasons that the hon. Member for Belfast, South inferred.

The hon. Member for Antrim, South referred to the Child Support Agency and the attendance allowance, which he has already written to me about. I shall write to him on that and on the Pensions Bill and implications for Nolan.

The hon. Members for Antrim, East and for Londonderry, East raised with me issues relating to the Housing Executive and grants. There were some teething problems with the introduction of the 1992 grant schemes, which resulted in a slower uptake of processing than had originally been anticipated. However, those difficulties have now been overcome and the grant approval rate increased significantly, with expenditure in 1994-95 exceeding the allocation of £32.5 million. An additional £1.6 million funding was approved. Faced with increasing demands on grant expenditure, the allocation for 1995-96 has been increased yet again to £38 million.

The hon. Member the Antrim, East mentioned some problems with flooding on a housing estate. I ask him to write to me with details of that, and I shall certainly look into it. The issue raised on nursery education and the construction of new schools is another matter that I can take up with my right hon. Friend the Minister of State.

Mr. William Ross: On a point of order, Madam Deputy Speaker. The Minister seems to be in a desperate rush, yet he has until 11.51 pm to speak, so he has plenty of time.

Madam Deputy Speaker: That is not a matter for the Chair until we reach that time.

Mr. Moss: So many questions have been fired at me in the past 20 minutes that I could not possibly have detected the answers in my brief. I promise, as I said at the beginning of my speech, to write to hon. Members on the matters that I do not cover.

The time taken to process renovation grant applications was also raised and I shall be happy to write to the hon. Member for Antrim, East showing him that, in fact, our performance in that area has greatly improved.

I now come to the contribution by the hon. Member for Londonderry, East. I have here a long list of questions that he posed to me. I know that he endeavoured on the trip to Washington with his colleagues to talk to the American counterparts on Starstreak. It may well be that some of his work there has borne fruit. I take on board his comments about speaking to our colleagues in the Ministry of Defence to ensure that the Americans are apprised of the value of that piece of equipment.

The Stormont Parliament rebuilding and refurbishment is well under way. I shall issue a statement in the near future on the matter. The hon. Gentleman is due to come to visit me to discuss Ballinahone bog and I look forward to seeing him in the near future.

Question put and agreed to.

Resolved,

That the draft Appropriation (No. 2) (Northern Ireland) Order 1995, which was laid before this House on 8th June, be approved.

CRIMINAL EVIDENCE BILL *[Lords]*

Order for Second Reading read.

Motion made, and Question put forthwith, pursuant to Standing Order No. 90(6), That the Bill be read a Second time.

Question agreed to.

Bill accordingly read a Second time, and committed to a Standing Committee, pursuant to Standing Order No. 61 (Committal of Bills).

Statutory Instruments, &c.

11.6 pm

Madam Deputy Speaker (Dame Janet Fookes): We now come to motion 6.

Mr. Dennis Skinner (Bolsover): On a point of order, Madam Deputy Speaker. You may have been made aware of the exchanges that took place earlier between Back-Bench Members on both sides and Madam Speaker in respect of the next two orders and in respect of the fact that the *Daily Mail* and other bidders are engaged in mopping up the radio stations in the Chilterns and elsewhere. Madam Speaker said that she might be able to make a statement on the question of privilege in view of the fact that, although the matter has been spoken about in the House of Lords, apparently Members of the House of Commons have not had a chance to debate it. The only way in which hon. Members can do anything at all tonight is to make an attempt to challenge the payroll vote. Did Madam Speaker convey anything for us to hear in respect of the two motions? Will the Minister of State, Department of National Heritage withdraw them?

Madam Deputy Speaker: I was aware of the situation. Madam Speaker has not given me any information on the matter.

Mr. John Carlisle (Luton, North): Further to that point of order, Madam Deputy Speaker. It may help the House if I tell hon. Members that I have received a reply from Madam Speaker about whether there was a breach of privilege by the takeover panel on the basis of the lobbying of Members. Her reply was that in her view, there was no breach of privilege by that body.

Mr. Barry Sheerman (Huddersfield): Further to that point of order, Madam Deputy Speaker. I am not concerned with the privilege issue. It has come to my knowledge, since the comments by Madam Speaker this afternoon, that there is a serious constitutional matter. We have been discussing with Members of the House of Lords the fact that a precedent has been set in the past few days. A motion that went before a Standing Committee of the House of Commons and was defeated, rather than coming to the Chamber for scrutiny, was then tabled in the House of Lords, very unusually, for debate last night on a motion that, as you know, Madam Deputy Speaker, was not contested by the Opposition, so it had a relatively clear run. It is now back this evening, but not to be discussed. Not many Members would know, if we had not raised the matter today, that the motion had been defeated in Standing Committee—

Madam Deputy Speaker: Order. This is turning into a debate. Hon. Members will be aware that this matter has to be decided forthwith. It is, of course, open to hon. Members to vote either for or against, according to their choice.

Mr. Jeremy Corbyn (Islington, North): On a point of order, Madam Deputy Speaker.

Madam Deputy Speaker: Is this a different point of order?

Mr. Corbyn: My point of order is this. How did this statutory instrument ever get to the House of Lords if it had not been to the House of Commons first?

Madam Deputy Speaker: It can go to either.

Mr. Sheerman: On a point of order, Madam Deputy Speaker.

Madam Deputy Speaker: Is it a different point of order?

Mr. Sheerman: I have been in the House since 1979. I have never seen such evidence of obvious chicanery. Hon. Members are being prevented from discussing an issue. This influences your constituency, Madam Deputy Speaker, as well as others. A monopoly run by the *Daily Mail* will take over the franchises—

Madam Deputy Speaker: Order. I can operate only according to the rules in this House at this moment. I have told hon. Members that if they wish to vote against the motion, they can do so. I am now going to put the Question.

Motion made, and Question put forthwith pursuant to Standing Order No. 101(5) (Standing Committees on Statutory Instruments, &c.),

BROADCASTING

That the draft Broadcasting (Restrictions on the Holding of Licences) (Amendment) Order 1995, which was laid before this House on 23rd May, be approved.—*[Mr. Kirkhope.]*

The House divided: Ayes 112, Noes 39.

Division No. 208] **[11.09 pm**

AYES

Ainsworth, Peter *(East Surrey)*
Allason, Rupert *(Torbay)*
Amess, David
Arbuthnot, James
Baker, Nicholas *(North Dorset)*
Bates, Michael
Beggs, Roy
Booth, Hartley
Boswell, Tim
Bottomley, Peter *(Eltham)*
Browning, Mrs Angela
Burns, Simon
Burt, Alistair
Butcher, John
Butler, Peter
Carttiss, Michael
Chapman, Sir Sydney
Clappison, James
Clifton-Brown, Geoffrey
Congdon, David
Conway, Derek
Coombs, Simon *(Swindon)*
Cope, Rt Hon Sir John
Cran, James
Davies, Quentin *(Stamford)*
Day, Stephen
Deva, Nirj Joseph
Devlin, Tim
Douglas-Hamilton, Lord James
Dover, Den
Duncan, Alan
Eggar, Rt Hon Tim
Emery, Rt Hon Sir Peter
Evans, Roger *(Monmouth)*
Fenner, Dame Peggy
Forman, Nigel
Forsyth, Rt Hon Michael *(Stirling)*
Forsythe, Clifford *(S Antrim)*
Forth, Eric
Freeman, Rt Hon Roger
French, Douglas
Gillan, Cheryl
Goodlad, Rt Hon Alastair
Greenway, Harry *(Ealing N)*
Greenway, John *(Ryedale)*
Griffiths, Peter *(Portsmouth, N)*
Harris, David
Heald, Oliver
Hendry, Charles
Howarth, Alan *(Strat'rd-on-A)*
Hughes, Robert G *(Harrow W)*
Hunt, Rt Hon David *(Wirral W)*
Jack, Michael
Jones, Robert B *(W Hertfdshr)*
King, Rt Hon Tom
Kirkhope, Timothy
Knapman, Roger
Knight, Mrs Angela *(Erewash)*
Knight, Greg *(Derby N)*
Kynoch, George *(Kincardine)*
Lait, Mrs Jacqui
Lang, Rt Hon Ian
Legg, Barry
Lidington, David
Lord, Michael
MacKay, Andrew
Maclean, Rt Hon David
McLoughlin, Patrick
Martin, David *(Portsmouth S)*
Mawhinney, Rt Hon Dr Brian
Merchant, Piers
Mitchell, Andrew *(Gedling)*

Moss, Malcolm
Newton, Rt Hon Tony
Nicholson, Emma *(Devon West)*
Page, Richard
Pattie, Rt Hon Sir Geoffrey
Pickles, Eric
Redwood, Rt Hon John
Richards, Rod
Robertson, Raymond *(Ab'd'n S)*
Ross, William *(E Londonderry)*
Rumbold, Rt Hon Dame Angela
Sackville, Tom
Shaw, David *(Dover)*
Shepherd, Colin *(Hereford)*
Sims, Roger
Spencer, Sir Derek
Spink, Dr Robert
Sproat, Iain
Stanley, Rt Hon Sir John
Stephen, Michael
Sweeney, Walter
Sykes, John
Taylor, Ian *(Esher)*
Taylor, John M *(Solihull)*
Taylor, Sir Teddy *(Southend, E)*
Thomason, Roy
Thompson, Sir Donald *(C'er V)*
Thompson, Patrick *(Norwich N)*
Thumham, Peter
Townsend, Cyril D *(Bexl'yh'th)*
Trend, Michael
Waterson, Nigel
Wells, Bowen
Whittingdale, John
Widdecombe, Ann
Willetts, David
Wilshire, David
Wolfson, Mark
Wood, Timothy
Young, Rt Hon Sir George

Tellers for the Ayes:
Dr. Liam Fox and
Mr. Gary Streeter.

NOES

Adams, Mrs Irene
Barnes, Harry
Beith, Rt Hon A J
Campbell, Menzies *(Fife NE)*
Clarke, Eric *(Midlothian)*
Corbyn, Jeremy
Dixon, Don
Donohoe, Brian H
Etherington, Bill
Evans, John *(St Helens N)*
Fabricant, Michael
Foster, Don *(Bath)*
Fry, Sir Peter
Hood, Jimmy
Howarth, George *(Knowsley North)*
Hoyle, Doug
Jones, Nigel *(Cheltenham)*
Kennedy, Charles *(Ross,C&S)*
Kirkwood, Archy
Lewis, Terry
Lloyd, Tony *(Stretford)*
Loyden, Eddie
Lynne, Ms Liz
McAllion, John
McKelvey, William
Mackinlay, Andrew
Maclennan, Robert
Mahon, Alice
Michael, Alun
Michie, Bill *(Sheffield Heeley)*
Miller, Andrew
Primarolo, Dawn
Sheerman, Barry
Skinner, Dennis
Spellar, John
Timms, Stephen
Tyler, Paul
Welsh, Andrew
Wray, Jimmy

Tellers for the Noes:
Mr. David Hanson and
Mr. John Carlisle.

Question accordingly agreed to.

Madam Deputy Speaker: We now come to motion 7.

Mr. Sheerman: On a point of order, Madam Deputy Speaker. Labour Members understand that the same method was used for this order—

Mr. Andrew MacKay (Lord Commissioner to the Treasury): Stop playing to the Gallery.

Mr. Sheerman: I am not playing to the Gallery. This matter is far more important than the hon. Gentleman understands or will ever understand; it is about public and parliamentary scrutiny and honesty in British politics.

This order is similar to the previous order and enables the *Daily Mail*, Capital and GWR to take over and monopolise radio stations in the south of England for political purposes.

Madam Deputy Speaker: The hon. Gentleman has made his point. I can do nothing further from the Chair.

Motion made, and Question put forthwith pursuant to Standing Order No. 101(5) (Standing Committees on Statutory Instruments, &c.),

That the draft Broadcasting (Independent Productions) (Amendment) Order 1995, which was laid before this House on 29th June, be approved.—*[Mr. Kirkhope.]*

The House divided: Ayes 113, Noes 31.

Division No. 209] **[11.20 pm**

AYES

Ainsworth, Peter *(East Surrey)*
Allason, Rupert *(Torbay)*
Amess, David
Arbuthnot, James
Baker, Nicholas *(North Dorset)*
Beggs, Roy
Booth, Hartley
Boswell, Tim
Bottomley, Peter *(Eltham)*
Browning, Mrs Angela
Burns, Simon
Burt, Alistair
Butcher, John
Butler, Peter
Carlisle, John *(Luton North)*
Carttiss, Michael
Chapman, Sir Sydney
Clappison, James
Clifton-Brown, Geoffrey
Congdon, David
Conway, Derek
Coombs, Simon *(Swindon)*
Cope, Rt Hon Sir John
Cran, James
Davies, Quentin *(Stamford)*
Day, Stephen
Devlin, Tim
Douglas-Hamilton, Lord James
Dover, Den
Duncan, Alan
Eggar, Rt Hon Tim
Emery, Rt Hon Sir Peter
Evans, Roger *(Monmouth)*
Fabricant, Michael
Fenner, Dame Peggy
Forman, Nigel
Forsyth, Rt Hon Michael *(Stirling)*
Forth, Eric
Fox, Dr Liam *(Woodspring)*
Freeman, Rt Hon Roger
Gillan, Cheryl
Goodlad, Rt Hon Alastair
Greenway, Harry *(Ealing N)*
Greenway, John *(Ryedale)*
Griffiths, Peter *(Portsmouth, N)*
Harris, David
Heald, Oliver
Hendry, Charles
Howarth, Alan *(Strat'rd-on-A)*
Hughes, Robert G *(Harrow W)*
Hunt, Rt Hon David *(Wirral W)*
Jack, Michael
Jones, Robert B *(W Hertfdshr)*
King, Rt Hon Tom
Kirkhope, Timothy
Knapman, Roger
Knight, Mrs Angela *(Erewash)*
Knight, Rt Hon Greg *(Derby N)*
Kynoch, George *(Kincardine)*
Lait, Mrs Jacqui
Lang, Rt Hon Ian
Legg, Barry
Lidington, David
Lord, Michael
MacKay, Andrew
Maclean, Rt Hon David
McLoughlin, Patrick
Martin, David *(Portsmouth S)*
Mawhinney, Rt Hon Dr Brian
Merchant, Piers
Mitchell, Andrew *(Gedling)*
Moss, Malcolm
Newton, Rt Hon Tony
Nicholls, Patrick
Nicholson, Emma *(Devon West)*
Page, Richard
Pattie, Rt Hon Sir Geoffrey
Peacock, Mrs Elizabeth
Pickles, Eric
Redwood, Rt Hon John
Richards, Rod
Robertson, Raymond *(Ab'd'n S)*
Ross, William *(E Londonderry)*
Rumbold, Rt Hon Dame Angela
Sackville, Tom
Shaw, David *(Dover)*
Shepherd, Colin *(Hereford)*
Sims, Roger
Spencer, Sir Derek
Spink, Dr Robert
Sproat, Iain
Stanley, Rt Hon Sir John
Stephen, Michael
Streeter, Gary
Sweeney, Walter
Sykes, John
Taylor, Ian *(Esher)*
Taylor, John M *(Solihull)*
Taylor, Sir Teddy *(Southend, E)*
Thomason, Roy
Thompson, Sir Donald *(C'er V)*
Thompson, Patrick *(Norwich N)*
Thumham, Peter
Townsend, Cyril D *(Bexl'yh'th)*
Trend, Michael
Waterson, Nigel
Wells, Bowen
Whittingdale, John
Widdecombe, Ann
Willetts, David
Wilshire, David
Wolfson, Mark
Young, Rt Hon Sir George

Tellers for the Ayes:
Mr. Timothy Wood and
Mr. Michael Bates.

NOES

Adams, Mrs Irene
Barnes, Harry
Beith, Rt Hon A J
Campbell, Menzies *(Fife NE)*
Clarke, Eric *(Midlothian)*
Corbyn, Jeremy
Dixon, Don
Donohoe, Brian H
Etherington, Bill
Hanson, David
Hood, Jimmy
Ilsley, Eric
Jones, Nigel *(Cheltenham)*
Kennedy, Charles *(Ross,C&S)*
Kirkwood, Archy
Lewis, Terry
Loyden, Eddie
Lynne, Ms Liz
McAllion, John
McKelvey, William

Mackinlay, Andrew
Mahon, Alice
Marshall, Jim *(Leicester, S)*
Michie, Bill *(Sheffield Heeley)*
Simpson, Alan
Skinner, Dennis
Spellar, John
Timms, Stephen
Tyler, Paul
Welsh, Andrew
Wray, Jimmy

Tellers for the Noes:
Mr. Don Foster and
Mr. Barry Sheerman.

Question accordingly agreed to.

Motion made, and Question put forthwith pursuant to Standing Order No. 101(5) (Standing Committees on Statutory Instruments, &c.),

VALUE ADDED TAX

That the Value Added Tax (Input Tax) (Amendment) (No. 3) Order 1995 (S.I., 1995, No. 1666), dated 29th June 1995, a copy of which was laid before this House on 30th June, be approved.—*[Mr. Wells.]*

Question agreed to.

Motion made, and Question put forthwith pursuant to Standing Order No. 101(5) (Standing Committees on Statutory Instruments, &c.),

That the Value Added Tax (Supply of Services) (Amendment) Order 1995 (S.I., 1995, No. 1668), dated 29th June 1995, a copy of which was laid before this House on 30th June, be approved.—*[Mr. Wells.]*

Question agreed to.

SCOTTISH AFFAIRS

Ordered,

That Mr. Raymond S. Robertson be discharged from the Scottish Affairs Committee and Mr. Bill Walker be added to the Committee.—*[Mr. MacKay, on behalf of the Committee of Selection.]*

ACCOMMODATION AND WORKS

Ordered,

That Sir David Lightbown be discharged from the Accommodation and Works Committee and Mr. Timothy Kirkhope be added to the Committee.—*[Mr. MacKay, on behalf of the Committee of Selection.]*

ADMINISTRATION

Ordered,

That Sir Sydney Chapman be discharged from the Administration Committee and Mr. Timothy Wood be added to the Committee.—*[Mr. MacKay, on behalf of the Committee of Selection.]*

Paris Club (Naples Terms)

Motion made, and Question proposed, That this House do now adjourn.—*[Mr. Wells.]*

11.31 pm

Mr. Jeremy Corbyn (Islington, North): I am pleased to get this Adjournment debate on the subject of the Naples terms of membership of the Paris Club. That important subject concerns the debt of the poorest nations in the world to the richest, and their ability to get any write-off of that debt.

By way of background, I shall open by quoting from an excellent document that was recently produced, "The Oxfam Poverty Report", which sets in context the discussion that we are about to have:

"The richest fifth of the world's population, living in the industrially advanced countries, have average incomes thirty times higher than the poorest fifth.

The poorest 50 countries, mostly in Africa, have seen their incomes decline to the point where they now account for less than 2 per cent of global income. These countries are home to one-fifth of the world's people.

One in four of the world's people exists in a state of absolute want, with millions more living close to this perilous state.

Poverty-related diseases claim the lives of 35,000 children every day

Half of the world's population is systematically discriminated against from the cradle to the grave for the 'crime' of having a female chromosome.

Half-a-million women die each year from causes related to pregnancy and inadequate health care.

130 million children are denied the right to primary education . . .

Approximately 1.3 billion people have no clean water or sanitation."

Many of the countries where those people live are desperately in debt. They are forced to pay huge amounts of their export earnings straight back to the banking systems of western Europe and north America to meet that debt crisis. To understand that, we have to understand how the debt came about.

"The Oxfam Poverty Report", which puts the case so well, states:

"During the 1970s, international capital markets transferred around $20 billion a year to developing countries".

It also states that, after the oil price rise in the 1970s

"Northern governments responded . . . with monetarist policies which forced up interest rates . . . Between 1983 and 1989, creditors received $242 billion more from these countries than they provided in new loans."

In that period, the poorest countries started to have to pay more and more of their income towards the banking systems of the north, because they were having to pay high interest rates on loans to finance industrial and agricultural development. They had seen the income from commodities fall as a result of the policies of the northern countries. By the end of 1992, the poor countries owed $269 billion in debts to the countries that make up the Paris Club. That in turn is only a small proportion of the total outstanding debts of poor countries, which, according to the World bank, reached $1,812 billion by the end of 1993—and that figure is still rising.

In order to qualify for entry to the Paris Club, any poor country that wants to have any of its debt written off has to accept the terms and conditions laid down on its economic development by the International Monetary

Fund. The IMF, which is a heavily western-dominated organisation, imposes the strictest conditions imaginable on any poor country.

In effect, those countries are asked to surrender their economic sovereignty and adopt structure adjustment programmes based on the widely discredited policies of Thatcher and Reagan throughout the 1980s. Those are policies that no respected academic could possibly defend in any way. They resulted in the IMF investing $30 billion in the past 10 years on structure adjustment programmes.

Those programmes have not helped the situation in most countries. They have forced countries to open up markets to cheap goods coming in from abroad, thus causing local unemployment. They have forced them to cut public expenditure, thus hitting health, education and social development programmes—resulting in hunger, unemployment, and, in some cases, civil war.

Any country that wishes even to be considered for entry into the Paris Club terms for writing off its debt has to do what the IMF wants. For example, Zambia is currently asking for a write-off of part of its debt through the Paris Club, and is being told that it must speed up the privatisation of its copper mines. Those mines are the basis of the Zambian economy.

Nationalisation followed independence because the population saw copper as the basis of their prosperity in the future. Copper prices have fallen as a result of the behaviour of the west, and, as those copper prices have fallen, greater and greater debt has developed in Zambia, and the country has now been told that it must sell off those copper mines at knockdown prices to international copper cartels.

Nicaragua also wants to enter the Paris Club to have its debt written off, and has been told that it must privatise its telecommunications industry—again at knockdown prices—to one or other of the major players in the world telecommunications market. The court of star chamber even decides which countries are considered for debt write-off. Britain is a member of the forum, and negotiates the repayments of part of the debts.

In preparation for tonight's debate and in my discussions, I have been indebted to the work done by the Debt Crisis Network—an organisation representing a large number of non-governmental organisations, Church groups and voluntary organisations—which has tried to adopt a different approach to the problems of the world's debt.

The Debt Crisis Network shows that 66 per cent. of the debt owed to the UK is owed by poor countries in Africa. That is the only continent with which Britain has a trading surplus at present, but, through the IMF conditions imposed on one African country after another, we are insisting that the living standards of many people are currently falling in Africa.

Last year, I was able to visit Uganda—an African country which is attempting to develop its way out of debt and poverty, and which finds itself in an almost impossible bind. It has been told that it must privatise large sectors of industry and sell land to anyone who wants to buy it. As a result of those policies, it is having to charge for primary education for the first time since independence. Meanwhile, its health service cannot cope with the AIDS crisis that is sweeping across that part of Africa.

Tonight I raise the question not just of the situation in Uganda and countries like it, but also of the reasons for the problems they face. Our exporters and those from Organisation of Economic Co-operation and Development countries have become very rich on the basis of the structural adjustment programmes in African countries. As President Nyerere, the former and very respected President of Tanzania, has suggested, African children are having to starve in order to pay those debts.

There is an equally sinister market in international arms—it could be called "gun-runners' gold". Export of arms credits rose by 86 per cent. between 1991-92 and 1993-94, while export credits for all civil businesses rose by just 14 per cent. For example, Kenya has received £151 million-worth of military credit since 1980, despite well-recorded human rights abuses that have often been referred to in the House, including the imprisonment of people who have stood against the regime and spoken up for justice in that country.

The west appears to be saying that the poorest African countries must cut public expenditure on social programmes and open up their markets, while at the same time they are offered enormous credits to buy arms from the west that may be used in civil wars, or used to control people who protest about the conditions in which they live.

Mr. Bill Michie (Sheffield, Heeley): It is immoral.

Mr. Corbyn: As my hon. Friend says, the situation is absolutely immoral. Britain is not among the top four creditors in the Paris Club—France, Japan, the United States and Germany are larger—but Britain is obviously important. When the Prime Minister was Chancellor of the Exchequer, he took a lead in such matters by calling for a renegotiation of debt, and the current Chancellor did the same thing at the Naples summit.

However, my questions revolve around how the negotiations are being conducted at present, as well as their long-term aspects. It is claimed that there will be an enormous reduction in the debt burden of the poorest countries, but that debt burden has not been reduced very much so far.

Unless we address the question of the sale of commodities from the poorest countries in the world, no amount of debt write-off will solve the problem. If we wrote off all their debt tomorrow but did nothing about the existing unfair trade arrangements between the United States, Europe and Japan and the poorest countries in the world, the same debt crisis would emerge a few years later. We must take a two-handed approach to the problem.

For example, it is claimed that, under the Naples terms, Uganda's debt has been reduced by 67 per cent. However, it has been pointed out that Uganda's debt was reduced by only 20 per cent. in real terms—despite the claims in the press releases issued by the Overseas Development Administration.

This Friday, there will be a meeting of the World bank consultative group on Uganda and I understand that debt will be on the agenda of that gathering. I hope that, in her response, the Economic Secretary will assure us—despite all the advice that she appears to be receiving from her colleague, the Government Whip, at the moment—that there will be a much larger write-off of Ugandan debt, and a serious examination of the social consequences of

[Mr. Corbyn]

the conditions that have been imposed upon Uganda, which is only one example of the way in which the poorest countries in the world are being treated.

I shall give another example. Nicaragua's total Paris Club debt is £1.6 billion, which is only about 14 per cent. of that country's total debt of £11.6 billion. We have all been led to believe that Nicaragua will receive more than 67 per cent. debt relief—indeed, there were hints that Nicaragua would receive Paris Club debt relief of up to 80 per cent. In fact, it was offered relief amounting to about 36 per cent. of that country's debt. Another con seems to have been perpetrated, this time on the people of Nicaragua.

I return to the example of Zambia, a country of only eight million people and a gross national product of £2.9 billion, which carries a debt burden of £6.79 billion. In other words, the total GNP is less than a third of the total debt that that country carries.

It is inconceivable that Zambia could ever be expected to pay off that debt. She has been paying the rich countries of the north more in debt repayments than she has been receiving in new loans. So she is getting deeper and deeper into debt just trying to service her existing debts. This is a country suffering from the AIDS epidemic, like much of central Africa, and from a substantial fall in the prices of basic commodities. The people who have to pay are those in the poorest countries.

Of the total outstanding debt, £1.7 billion is owed to the World bank and the IMF, who have preferred creditor status and must be repaid promptly. So Zambia receives between £900,000 and £1 billion in aid each year—$110 a head assistance—and has to repay most of it straight away to the World bank. So in effect, many of the aid programmes launched by this country, the EU and others, end up supporting structural adjustment programmes which exist to repay the debts incurred in the first place.

I want to put four questions to the Minister, leaving her with sufficient time to reply. First, how much of British overseas development aid is used by poor countries for debt repayment, whether to the rich countries of the Paris Club or to those powerful, unaccountable institutions, the World bank and the IMF? I also understand that the British Government are offering budget support and untied balance of payments support to poor countries as part of debt repayment. So the British Government appear to be using the aid budget to ensure that these debts are repaid.

During the recent debate on overseas aid, my hon. Friend the Member for Eccles (Miss Lestor) made an important speech, in which she noted that the debt outstanding to the World bank is £3.9 billion. Although that is crippling for the countries concerned, it is not actually large by World bank standards. That institution has set aside £3.3 billion in the current year for loan loss provision, and £14.5 billion for reserves.

My second question, therefore, is: why cannot these funds be used to extinguish the mountain of debt, instead of diverting British aid money to the coffers of the World bank and the IMF?

The next question concerns the IMF gold. The Chancellor has made much of his belief that there should be a sale of that gold to pay off many of these debts. What has happened to that proposal? When can we expect to see a sale of the gold held by the IMF?

My third question is this. If, after the Naples terms have been negotiated with poor countries, there is only a small amount of Paris Club debt outstanding, have Ministers considered getting rid of the debt altogether? Unless we write it off, the situation will go from bad to worse.

My final question is: has the Treasury ever made use of the facility contained in the Paris Club agreement for conversion of debt into local currencies for local development projects? I understand that there is an option in the agreement allowing the conversion of up to £20 million of debt, to help extinguish it altogether.

We live in a world racked by ever-increasing poverty in the world's poorest countries. The rich west is telling the poorest countries, "The debt is your fault; the responsibility for it lies entirely with you; we will give you aid to assist development only provided you accept the principle of paying off all this debt."

The debt has been incurred not through any fault of the countries concerned, but because of a world trading system that is fundamentally stacked against the interests of the poorest people in the world. There is no flow of wealth from rich to poor in the latter part of the 20th century. There is a massive flow of wealth from the poorest to the richest. The same is happening in our society and in other industrialised countries. The same is happening, on a massive scale, in the poorest countries—and more specifically, from the poorest countries to the banking systems and trading operations of the western and northern countries of the planet.

We cannot go on witnessing the poverty, deprivation and misery in the world. As a start, we should write off large amounts, if not the total, of these debts. Secondly, we should decide not to impose an economic model that we know to be unfair and unjust on those countries. Instead, we should support a world trading system that gives farmers in Latin America and south Asia reasonable prices for the goods they produce, so that those countries can begin to develop their economic and social infrastructures as we would like them to. We cannot go on allowing the world to be divided in this way.

I hope that, in this short opportunity that we have today, the Minister will at least explain what is going on within the Paris Club, and what will be done to alleviate the suffering of the very poorest people in the poorest sub-Saharan African countries.

11.49 pm

The Economic Secretary to the Treasury (Mrs. Angela Knight): I start by thanking the hon. Member for Islington, North (Mr. Corbyn) for raising this very important issue. He spoke with some passion about a subject which undoubtedly concerns many people.

The hon. Gentleman will be aware that the Government have long been concerned about the problems faced by the poor countries of the world, which, as he outlined, shoulder enormous debt burdens. Struggling to pay debts that they cannot—and will never be able to—afford just frustrates sensible economic reform. It keeps countries in endless poverty, some of the human consequences the hon. Gentleman outlined when he mentioned the Oxfam report.

It is necessary to chart the course of where we have been and where we are going in helping with the problem. The Overseas Development Administration has written off more than £1.2 billion of old aid loans owed to it by

the poorest countries. That has certainly been of some help. We have also taken a leading role—the leading role—internationally in seeking solutions to the problems of indebtedness of the very poor. The hon. Gentleman mentioned some of that tonight. It was Lord Lawson who first took steps in that direction. They have been developed in what have become known as the Trinidad and London terms, which have helped substantially in this area.

The London terms have helped 22 countries. They have benefited from debt reduction under those terms in the region of £2.75 billion. I am sure that the hon. Gentleman will agree that that is a substantial assistance that has already been given. But the hon. Gentleman is correct to say that that is not sufficient. We feel strongly that we must do more for the world's neediest countries, and must continue to press for further action.

We have long argued that creditors should write off part of their stock of debt, instead of simply making payments due over an agreed period, even if that period is extended. Unless the debt is reduced, they are simply left with a debt overhang, which does not help them in their attempts to restore their economies.

That brings me to the Naples terms, which were developed mainly as a result of lobbying by the UK of the G7 summit in Naples in 1994. An agreement has been reached to help poor countries' debts in various ways. That has been substantially used, and I hope will be used more.

The Government have pressed to make available a maximum reduction of 67 per cent. Sadly, that has not always been the case in other countries' agreements, but that is the direction in which we are moving.

If we look at what the implementation of the Naples terms has achieved, we find that 10 countries have received concessional reschedulings with debt reductions of that 67 per cent. Bolivia, Cambodia, Chad, Guinea Bissau, Haiti, Mauretania, Nicaragua, Senegal, Togo and Uganda have all been helped. Uganda has been the only country to receive a stock of debt reduction.

I understand the points made by the hon. Gentleman about Uganda, and I shall come to that later. It is true that, so far, whereas the Naples terms are being effective, the debt problems of severely indebted low-income countries remain. The reason for this needs to be addressed. The reductions offered to date have not always been as generous as we had hoped—or indeed, as we believe necessary.

Sometimes, other creditors have been reluctant to increase to that 67 per cent. the rate of relief on debts which have already been reduced, especially debt reduced by 50 per cent. under the London terms. Some creditors have focused on the short-term projections of financing gaps. We think this does not sufficiently allow for adverse shocks which could at some point increase these gaps, such as a fall in the price of a major export commodity. Again, that was a point made by the hon. Gentleman. We are doing what we can to urge other members of the Paris Club to see the matter as we see it, and to help to reduce debt as much as possible.

Uganda has been mentioned several times. Stock-of-debt operations have not been as frequent or as generous as we should have liked; so far, Uganda has received a stock-of-debt treatment, but not all its eligible debts were reduced by as much as possible. Debt reduction for Uganda amounted to $97 million, just over 20 per cent. of its total Paris Club debt. The main reason is that the Paris Club does not normally reschedule or reduce debt contracted after the date of a country's first Paris Club agreement, which allows export credit agencies to provide new finance with a greater certainty of repayment. Uganda has a high proportion of post-cut-off-date debt.

The United Kingdom argued that Uganda should be granted exceptional treatment on its post-cut-off-date debt, but we did not succeed in reaching an agreement with the other creditors, two of which were owed more than the United Kingdom.

In addition, debt that had previously been reduced by 50 per cent. under Uganda's London terms agreement was excluded from further reductions. Again, the United Kingdom argued in favour of increasing to 67 per cent. the reduction already applied to that debt, but again there was no consensus among other creditors. The United Kingdom is pressing hard to give Uganda the greatest possible debt relief, but, sadly, the other creditors do not feel that they can do the same.

There is also the question of multilateral debt in Uganda and other countries. The total debt reduction for Uganda has been quite good so far, but we shall continue to press for its improvement. We also think that Bolivia, Guyana and Nicaragua will be good candidates for stock-of-debt reduction, and we hope that other creditors will agree.

I appreciate that implementation of the Naples terms is taking place rather slowly, and that concerns us greatly. At the recent summit in Halifax, my right hon. Friend the Prime Minister persuaded his G7 colleagues of the need for decisive action. At his prompting, the G7 urged the

"full and constructive implementation of Naples terms".

That is a good move forward; we shall work to ensure that it is followed through, and that the potential of Naples is realised. We should then secure a win-win result: the poor countries would gain substantially—debtors have obvious gains from debt reduction—but creditors would also gain. By reducing their claims to realistic levels, creditors would increase the likelihood of being repaid the balance. We are making that point strongly to other members of the Paris Club.

The hon. Gentleman mentioned his concerns about IMF programmes and debt relief. Debt relief alone cannot solve the problems faced by the poorest countries; they must put their own economies right so that they can trade and, ultimately, stand on their own two feet. They need wise economic development.

The structural adjustment programmes mentioned by the hon. Gentleman have a strong part to play. I accept that such programmes will often require the adoption of difficult policies by the countries concerned, but the Government consider it important for lending by international financial institutions to be accompanied by appropriate conditions, because growth and the reduction of poverty ultimately depend on a country's economic situation and on its following sensible economic policies.

The IMF and the World bank help members to assess the impact that policy reforms are likely to have on different groups such as the poorest. Increasingly, they are encouraging Governments to treat social spending as a priority in their budgets, in recognition of the importance of investing in health and education for sustainable

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development. In some cases, they also help members—through technical assistance missions, for example—to integrate their social safety nets in their reform programmes. However, if they do not get their economies right, there will be no long-term future for them. They must have those economic reforms.

On another series of points that the hon. Gentleman made in relation to the multilateral debt problem, he mentioned the International Monetary Fund and the World bank. We have proposed that the IMF should convert a small part of its gold reserves into income-earning assets. The interest earned could then be used to provide a subsidy for large concessional loans, and, where appropriate, for loans on more concessional terms, to the IMF's poorest indebted members that have shown a sustained commitment to economic reform. That is a good way of moving forward with the IMF. It would improve countries' ability to cope with repayments, and the underlying assets would form part of the fund's reserves.

Where have we got with that? So far, some of our partners are to be convinced that our preferred solution of selling a small portion of the IMF's gold and using investment income in that manner is the way forward, but the G7 has agreed to explore the option of "pledging" IMF gold. That would release other IMF resources to finance larger and more affordable concessional lending. That is welcome progress, and again it is at least two steps in the right direction. We will continue to press for agreement to outright gold sales in the way that was outlined by my right hon. and learned Friend the Chancellor of the Exchequer.

We have been pressing the World bank to consider how the facilities of its concessional loan arm could be adapted to give greater assistance to severely indebted, low-income countries. Like the hon. Gentleman, we believe that more movements can be made in that direction, so that the World bank can give better help to some of the poorest countries by reconsidering the way in which it makes its loan. I can assure him, therefore, that we are continuing to do our utmost to enable the alleviation of the crippling effect of large debt burdens on the poorest countries of the world.

I thank the hon. Gentleman again for drawing the House's attention to this matter. As he knows, it is a fairly complex issue. He also knows that some of these countries' problems cannot be resolved overnight, by one step only, or just by considering debt alone. We must remember that debt relief cannot deal with all the problems faced by developing countries, but it can release resources that can be used for development processes. That is the direction in which we are looking. That is why we are pressing our fellow members of Paris Club to reconsider both the existing terms and further imaginative ways of helping these countries.

The hon. Gentleman briefly mentioned Nicaragua.

The motion having been made after Ten o'clock on Tuesday evening, and the debate having continued for half an hour, MADAM DEPUTY SPEAKER *adjourned the House without Question put, pursuant to the Standing Order.*

Adjourned at one minute past Twelve midnight.

House of Commons

Wednesday 19 July 1995

The House met at Ten o'clock

PRAYERS

[MADAM SPEAKER *in the Chair*]

Adjournment (Summer)

Motion made, and Question proposed, That this House at its rising today do adjourn till Monday 16 October.—[*Mr. Streeter.*]

10.4 am

Mr. Robert Hicks (Cornwall, South-East): Before the forthcoming Adjournment, I think it right to draw the attention of the House to the unsatisfactory and deteriorating situation at the Liskeard junior school.

I am obliged to remind the House that this is not the first occasion that I have felt it necessary to raise the subject on the Floor of the House. Indeed, the first occasion was in March 1971. On that occasion the Under-Secretary of State for Education who replied was one William van Straubenzee. Sadly, the position has altered little since then.

I should add that during the late 1970s and the 1980s there was relief on the numbers and space at Liskeard junior school as a consequence of the construction of a new Church of England primary school serving the town. However, the advantages gained by that development have now been exhausted. In practice, we are back to the situation of the early 1970s except that the problems are now greater through the combination of higher pupil numbers and the fact that the various buildings that comprise the school, to which I shall come in a moment, are also 25 years older.

The school has a classic market town centre situation. The main buildings were constructed in 1880. They comprise four classrooms, the library, the administrative accommodation and the special needs area. From the 1970s onwards, a series of temporary buildings have been constructed, but, as is so often sadly the case, they have assumed an air of permanence and, because they were constructed as temporary buildings, over the years their maintenance has not been to such a high level as one would have wished and they themselves are causing problems.

I am sure that that set of circumstances is mirrored in all our constituencies. Every time one builds more temporary accommodation to house growing pupil numbers, one cuts down on the playground space. In other words, the position at Liskeard is very unsatisfactory.

The school is centred in the town, adjacent to a main road on a cramped and confined site. I should also mention in that context that, in addition to inadequate space, in recent years there have been problems with the boilers at the school, the hall is totally inadequate and the sports field provision is located away from the school site and there have been times when, for the children's safety, the head teacher and his staff have felt it necessary temporarily to suspend sports field activities.

The number of pupils at the school is roughly 300. During the next three years it is projected that that number will rise to 352.

There is projected housing development in Liskeard. Over the past eight years, on average there have been 100 new dwellings constructed each year. The structure plan for the area allows for a greater increase in housing development. Pressures are being exerted on the school from all sides.

I turn now to the financial position. The school had been allocated, over the next three years, the sum of £220,000. That is part of the basic need bid that the Cornwall county education committee made this year. From my description of the school, its site and its inadequate facilities, I think that the House will realise that it would be futile to spend scarce financial resources on those deteriorating buildings.

Earlier this year, a responsible campaign was undertaken by the parents, in conjunction with the headteacher and his staff and the parent-teacher association. Pressure was put on Cornwall county council. A number of visits to Liskeard were undertaken by county councillors and, as a consequence, they agreed to give Liskeard junior school top priority. In the 25 years that I have been dealing with the county council in my capacity as a Member of Parliament, I have never known it to move so quickly. That testifies to the current unsatisfactory position.

Cornwall made an application to the Department for Education for a supplementary credit approval. A site has been allocated for a new junior school. The total cost of that project will be of the order of £1.6 million. We all recognise that, with the existing constraints on public expenditure, there is no chance of our being successful, in one go, for the whole bid.

Therefore, the school governors have drawn up a rolling new-build project. We are looking for £580,000 for the first phase. Last week, the previous Under-Secretary of State for Education, my hon. Friend the Member for Hornchurch (Mr. Squire), announced that there was to be an allocation of £20 million for supplementary credit approval. Liskeard was allocated just £38,000. I shall not bore the House now with the predictable response to that paltry figure, which was clearly inadequate and, in many ways, an insult.

We are now in a genuine dilemma. Over the next three years, a total of £258,000 has been allocated to Liskeard junior school—a sizeable sum that we do not wish to waste. The purpose of my raising the subject here this morning is to ask my right hon. Friend the Leader of the House two specific questions that I am sure he will convey to the Department for Education and Employment.

First, I gather that in the autumn further supplementary credit allocations are made by the Department. Will he ensure that the Liskeard application features in that list even though we were successful to the tune of a very modest £38,000 last week? We must keep the project rolling forward. The momentum has been created and the only satisfactory outcome is an allocation of a meaningful amount so that we can start the first phase.

Secondly, during the past few months I have kept in touch with my hon. Friend the Member for Hornchurch who was the Minister responsible for the financial

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allocations. We now have a newly appointed Under-Secretary of State for Education and Employment, my hon. Friend the Member for Chesham and Amersham (Mrs. Gillan). I have already extended an invitation to her to visit Liskeard. I hope that I have been able to impress on my right hon. Friend the Leader of the House the urgency of the situation. I hope that he will support me in trying to persuade my hon. Friend the Under-Secretary of State that she should visit Liskeard as early as possible in the forthcoming autumn 1995 term.

10.14 am

Mr. Gerry Steinberg (City of Durham): I am delighted to have been called to speak this morning as I wish to raise the subject of the Coxhoe medical practice in my constituency and the events that have occurred over the past few days, which are nothing less than an absolute disgrace.

It is important for me to give a brief history of the medical practice. Until two years ago, seven doctors served 12,000 patients in a newly formed budget-holding practice. The practice served the villages of Coxhoe, Cassop, Kelloe, Quarrington Hill, Bowburn, which is in my constituency, and West Cornforth, a village in the constituency of my right hon. Friend the Member for Sedgefield (Mr. Blair).

Within six months, three partners left the practice and the other four doctors separated. One, Dr. Pollard, set up a practice in the village of Bowburn. Another, Dr. Drew, set up a practice in West Cornforth. The other two doctors, Dr. Woods and Dr. Shami, remained in Coxhoe with the bulk of the practice—about 8,000 patients. From a state-of-the-art surgery, with all modern facilities, Dr. Pollard moved to Bowburn, to a room in the local community centre with virtually no facilities. Dr. Drew moved into one room in a house in West Cornforth, again with few facilities.

Dr. Woods and Dr. Shami have apparently struggled to keep the Coxhoe practice going, with nearly 8,000 patients between them. I am told that that is an impossible workload and they have finally had to accept that they are overwhelmed and cannot cope with the number of patients. The maximum that any general practitioner is allowed to have on his or her books is 3,500 patients.

The practice in Coxhoe has survived with a number of locum doctors who have now all left. The Coxhoe doctors have tried in vain to find new partners, or even locums, to keep the surgery and the practice ticking over. It appears that there are just not enough doctors to go around—the Coxhoe surgery is two short. On making investigations, I have found that the rest of the county of Durham is a further 18 doctors short. I am told that, nationally, there is a shortage of literally hundreds of general practitioners.

The two vacant posts have been advertised four times, including once in the "Irish Medical Journal". Four candidates were interviewed when the first advertisement appeared in the papers and one was appointed. She subsequently took another post elsewhere and did not turn up for the job. Six doctors responded to the second interview, but eventually all withdrew. The third and fourth advertisements produced no response.

As a consequence—and the reason why I desperately needed to address the House this morning—the Coxhoe doctors announced that they have asked the family health services authority to remove 2,500 patients from their lists and find new doctors for those people. The practice has identified the 2,500 patients to be removed from the list. The only exceptions that will be made in those areas, which include Kelloe and Cassop, will be terminally ill patients.

Although all the patients removed from the list will be found other doctors, it is a deplorable situation. Many people will have to travel long distances to find a new doctor. Many mothers with children, and pensioners, will have to go by foot or catch a number of buses, and will have to travel much further than was previously necessary. Those people's local surgery, which many of them raised funds to develop, will no longer be theirs. Many have been patients at the surgery for 40 to 70 years or more and it is outrageous that they have been dumped, thrown off the lists.

It should not surprise hon. Members to know that the affluent parts of the practice have been retained and the less affluent parts have been dumped. Some patients removed from the surgery have received letters and others wait in trepidation for their letters to arrive. As hon. Members can imagine, wholesale panic has set in, and old people in particular are worried sick about the situation because they do not know whether they will be able to see a doctor—if they ever can.

Questions must be asked about how this situation arose and who is to blame for it. At the weekend I was never off the telephone. I spoke to the chairman of the family health services association, I met members of the Durham health commission and I spoke to the doctors. I have had about 30 constituents at my surgery. Anyone who listens to the arguments can draw different conclusions. The doctors of Coxhoe, the FHSA and the county Durham health commission say that there is a desperate shortage of doctors. Therefore, according to them the blame lies with the Government. They tell me that cuts that were made some years ago in the Government programme for training doctors have resulted in a desperate shortage of doctors. Also to blame are the Government changes in the funding arrangements for general practices. Those were changed in 1990 to encourage doctors to set up clinics and other services. Disastrously, not enough money was allocated to cover all the new services that were set up.

The doctors and others have told me that the expectations of newly trained doctors "have moved with the times". That is a nice way of putting it. Doctors do not expect to be on duty at all hours of the day and night or for unbearably long periods. I am also told that they are not attracted to country practices such as those at Coxhoe, Kelloe and Cassop but are attracted to the lush suburban practices that are favoured by the latest funding arrangements of the NHS.

Taking a different perspective, because I sit on the fence on this issue as I do not know who is to blame, is it not strange that a large, successful practice, one of the first to accept the bribes to go fundholding—those are not my words but those of one of the partners some years ago—should disintegrate within six months? I am told that some of the partners do not speak to each other and that the office manager was ignored by some of the doctors because they disliked her so much and that they communicated with her only through a third party. I am

told that one or two of the doctors left the surgery because of her and that the atmosphere was so bad that other doctors would not work there or wanted to be away. If that is accurate, is it any wonder that the practice cannot get recruits?

Was it the disunity and incompatibility of the doctors that broke up the practice and led to the eventual catastrophe that my constituents have had to suffer? The dreadful consequences are that patients have been dumped from the list and do not know whether they have a doctor. Internal squabbles in the practice should not have been the first issue: the first issue for any doctor or practice should be the patients that they serve.

Out of 12,000 patients in a state-of-the-art practice fewer than half now enjoy the facilities. Some 2,000 do not know who their doctor will be and the others are seen in substandard conditions compared with what they were used to for many years. It is important that the practice remains intact: it must not be allowed to disintegrate. I urgently request the Leader of the House to take the matter up with the Secretary of State for Health and ask him to intervene, perhaps along with the regional health authority, because it is now clear that the FHSA and Durham health commission are not prepared to intervene. That is not a criticism because they have done their best to get doctors. Unfortunately, they have not been able to do that and now the matter must be subject to ministerial pressure and perhaps the help of the regional health authority.

We must ensure that adequate temporary cover is found so that the practice can continue without kicking out 2,500 patients. Temporary cover should continue until new, permanent appointments can be made to the practice to enable it to continue as before.

I ask the Leader of the House to request an investigation to see why the events that I have outlined have occurred. It is in the interests of the Government to do that because their policies are being blamed for the disaster although, as I have explained, as far as I can see there are two sides to the story. I am not making any judgment whatever, but there should be an investigation to find out exactly what happened and why this tragedy has occurred. Some 2,500 people have been disregarded by the doctors whom they trusted. Those people need help and only the Secretary of State for Health and the Government can halt this despicable situation.

10.26 am

Sir Teddy Taylor (Southend, East): I should like to make five brief points that I hope the Government will bear in mind before we adjourn because it would be scandalous if we adjourned without looking at them. The first item, which I hope the Government and all hon. Members will consider seriously, is the simple fact that spending on agriculture is once again out of control and will continue to get worse.

It is rather sad to hear hon. Members speaking with great feeling and passion about the needs of the education authorities for more money for schools when at the same time an appalling amount is poured down the agricultural drain. That situation is getting worse every year, although the House tries to confuse and mislead itself that things are getting better.

I have a copy of the European Community's general budget for 1996. It contains precise, clear figures and it should be available in the House next week. It shows that spending on agriculture by the EC on the common agricultural policy has increased by 25 per cent. in two years. The figures show that the amount spent is £90 million a day, which is £630 million a week or £2.6 billion a month. What worries me is that we are consistently told by the Government that reforms are coming and that changes are about to occur. But everyone knows, clearly and precisely, that there is no possible way in which we could reform this filthy, evil policy which is no more than a protection racket and an invitation to fraud.

I appeal to the Government and to the Liberal Democrats, who have always fought for people and their rights, to say what the blazes we are to do about the policy when the figures show that it is out of control. Sometimes the Government say, "Their spending has gone up and ours has come down." That is again absolute codswallop because every hon. Member who takes an interest in agriculture, as some do, knows that national spending is higher since we joined the EC and that it continues to rise. The situation is getting considerably worse.

Every hon. Member who pleads with the Government to spend money on hospitals, schools, doctors or anything else should realise that we are pouring enormous amounts of money down an open drain, that the drain is becoming larger every year and that there is absolutely no possibility of the policy being reformed. That cannot happen as a result of people sitting around a table and at some stage we will have to face it.

Secondly, I appeal to the Government to stop what I regard as a conspiracy of silence on European Union information. Over the past 48 hours I tabled two questions, one of which asked for information on the amount that we had spent on agriculture over the past 10 years. That seemed a simple question.

I asked another question about the amount that we have paid in net to the European Union in the past 10 years. The Government have rightly said that Members should not be allowed to table questions about information that is freely available in the House of Commons Library. The sad fact is that to get that information I would have to ask the Librarian to look up 10 separate documents. What was meant to be a protection against abuse has now simply become a means by which factual information about the European Union that the Government do not want to be revealed no longer appears in official publications of the House of Commons.

Why on earth should we not tell people what money we have contributed to the EU in the past 10 years? Why should we not tell them about our expenditure on the CAP?

The third issue to which we must face up is border controls. Once again, I believe that the House is deliberately seeking to evade the straight facts. Some hon. Members may say that I am rather obsessed about border controls, but I appeal to them to reread the announcement about our entry into the exchange rate mechanism. Then, every single Member said that that was wonderful news, which would bring stability and create jobs. If anyone had studied the announcement with common sense they would have realised that it was complete economic nonsense.

On border controls we are simply jumping up and down and saying that we will veto any EU measures. We have said that we will make absolutely sure that we retain our border controls. The plain fact is we simply cannot do that. As we know, our border controls are fading away

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almost every month. Whereas we used to require people to show their passports at the border, because of the problems of legislation, we agreed that we would operate only what is called the Bangemann wave, whereby people wave their passport at the control. We then agreed that we would let people in with identity cards. The unions who control our borders have said that more than 50 per cent. of all illegal immigrants come from the EU.

What about our remaining border controls? The Government are well aware, as is every Member, provided he or she faces up to it, that our only border protection is the declaration attached to the Single European Act. If that has any validity, can the Government tell me why Commissioner Monti published three directives which will effectively remove all British border controls? He could not have done that if the treaty law was clear. There is only one thing we can do: simply ask that the declaration attached to the Single European Act is transferred into a treaty clause at the intergovernmental conference next year.

If we want to keep our border controls we must make it clear that nothing can be discussed until the issue has been clarified. The Government tell us that those wise, delightful and sensible people all signed the declaration and that we must take their word for it. Their word does not count for anything before the European court. The Government are well aware that proceedings have been initiated by the European Parliament against the European Commission, which issued those directives. Although the Government say that they will stand firm and throw those directives out, individual legal actions will involve the payment of massive damages. It will not be possible to keep people out of the United Kingdom unless we have the courage to say we will try to enshrine our border protection in treaty law.

Mr. Tony Marlow (Northampton, North): My hon. Friend suggests that there should be a treaty change to make our control over our borders absolutely total and uncontroversial. If there is a treaty change, that treaty must then be ratified by every country in the European Union. Is my hon. Friend optimistic that such a treaty would be ratified?

Sir Teddy Taylor: No, I am certainly not, and that is the problem. My hon. Friend is absolutely right that the other member states will not want to ratify it. All we are asking is that something at the back of a treaty should be put at the front of it. We are not advocating any change in wording, but just to transfer those words from one place to another.

Other member states such as Belgium and Holland will not support such a change. At next year's IGC the Government should ensure that there is no discussion on anything until the issue has been resolved. Hon. Members may say that that is not a helpful way to solve things. They may ask why we cannot sit round a table to discuss it. We hear that request every five years or so, when we are told that we should adopt a positive approach. Quite frankly, unless we demand that change, border controls will be kaput, as we will find out when the matter is discussed before the European Court. We must wake up to that fact.

What on earth are we going to do about fixed exchange rates? Hon. Members will be well aware that we had a bad experience with the ERM. Under the Maastricht treaty, the next time we go into the ERM, there is no way out of it. That decision is irreversible and unchangeable. Even if that led to massive unemployment and the borrowing of lots of money, we would have to stay on in the ERM. I have been trying, deliberately and precisely, in every way I can to get an assurance from the Government that before we opt again for fixed exchange rates, that decision will be subject to a decision in the House of Commons. I even asked the Prime Minister yesterday

"if it is the policy of Her Majesty's Government to advise the House and seek its advice before a decision is made to act as though sterling was in a fixed exchange rate arrangement under the EMU arrangements set out in the Maastricht treaty;"

He referred me to a delightful answer given by the Department of Trade and Industry, which simply said that we might have a referendum on a single currency.

The Leader of the House is a straight guy and he knows what the score is. Basically it does not matter two hoots about a decision on a single currency in comparison with fixed exchange rates. Once we are in such a mechanism all we will have is the equivalent of a Scottish pound note. Before we break for the recess, surely we should decide that before we go back into the ERM, the House of Commons will be asked to decide on that. If we cannot have that assurance, what the blazes is the point of having a democratic Parliament?

Mr. Marlow: Has my hon. Friend forgotten that the Prime Minister has made a commitment not to join the ERM under any circumstances before the next election?

Sir Teddy Taylor: I am well aware of that statement. My hon. Friend should recall a previous Chancellor of the Exchequer, who gave us similar assurances. He joined the ERM unofficially, which one can do. What is wrong about having a clear statement from the Government—I should be grateful for a similar statement from the Labour and Liberal Democrat parties—that before any such move is made, the House will vote on it? The ERM is not fun. Our entry last time created half a million extra unemployed. Decent, honourable people of our country were made unemployed because idiots approved of the ERM.

Mr. David Nicholson (Taunton): I should just like to put on the record that some of us on the Conservative Benches have no dispute with the principle of entry into the ERM. It is possible that we joined at the wrong level. We were certainly at the wrong level by 1992, when our membership of it so was mismanaged by the then Chancellor, who has since become a hero to my hon. Friend's wing of the party.

Sir Teddy Taylor: I do not think we can solve the problem by attacking Ministers. It is most unfortunate that when some of us try to deal with a real issue, some of my colleagues simply tried to indulge in party disputes and assault Ministers. We should stop that silly political nonsense of saying, "He's a baddie and she's a baddie." We should look at the issue. My hon. Friend must know that half a million decent people in Britain were put out of work because of the appalling ERM. I am sad to say that the majority of the House voted for our entry into it, although I voted against. All I am saying to the Government is, "Don't do it again without asking us."

I hope that the Leader of the House will accept that we simply must have a chat about the problems of transport to grammar schools. The Government are aware that those

schools are controversial—some people think that they are a good idea, others think that they are bad. My right hon. Friend is also aware that some of those schools operate a 6 per cent. entrance policy, which basically makes them minority schools for up-market people. In some places, such as Southend, however, 25 per cent. of our kids go to them.

I am sad to say that Essex county council has today abolished free transport for children who go to grammar schools. Some of the Labour and Liberal Democrat councillors are decent people. The leader of Essex county council, who is a Liberal Democrat, is one of the nicest people I have ever met. The council has been misled on the basis of a couple of cases where children travel miles and miles and cost the council a fortune. The council has asked why it should pay for them.

I live in Southend-on-Sea and my kids have all gone to the council schools and done very well. There is no problem where I live, because pupils can walk to the grammar school, as my daughter does. One part of Southend, Shoeburyness, is miles away from the grammar schools. The council's declared policy will simply mean that children from one part of Southend will have to pay for their transport to school. That will be expensive and those children may be deprived of the opportunity to attend a grammar school, unlike children in other areas of Southend. That seems completely wrong. I hope that the Government will take the view that where there are grammar schools—where the local people decide that they want them—every child should have an equal opportunity to attend them. It is not right that some people, like me and my kids, can walk to the grammar schools, while others are prevented from attending them simply because they live too far away and are too poor to afford the necessary transport.

We should think about poor people. I say to the Labour and Liberal Democrat members of the Essex county council, "Please think about the poor families in our area who are being deprived of a great opportunity. Please remember your duty to them."

10.40 am

Mr. Ted Rowlands (Merthyr Tydfil and Rhymney): I want to spend a few minutes suggesting some thoughts, reflections and priorities that should occupy some of the time of our new Secretary of State for Wales during the recess. No one should underestimate the strength of feeling that has been expressed to me, not about the personality of the new Secretary of State, but about the way that he was appointed. People are fed up of being pawns in some internal Conservative party game. It is the most important political appointment made in Wales, but we do not believe that the Prime Minister sat down and asked himself who would be the best person for the job and, indeed, what jobs he would want him to do in Wales. We do not believe that those factors played any part in the appointment of the new Secretary of State.

Having said that, I must tell the Leader of the House that we have worked with successive Conservative Secretaries of State and, in some respects, harmoniously. I even worked with the previous Secretary of State—my right hon. Friend the Member for Wokingham (Mr. Redwood)—and although we were ideologically poles apart, we still managed to get on with the business of working together to foster the common good of the communities that I represent.

I hope that the new Secretary of State will come to Merthyr Tydfil and Rhymney—his predecessor did so on more than one occasion—where he will find a curious, enigmatic mixture of our experiences under successive Conservative Secretaries of State. He will see a great deal of development, such as important infrastructure changes and the development of the A470. He will hear our hopes for making the A465 a dual carriageway. He will also see one of the most important and expansive land reclamation schemes in Europe to remove the backlog of 150 years of industrial dereliction.

The right hon. Gentleman will find a vigorous partnership between local authorities, his Department and other agencies trying their best to remove the locational obstacles to development, which have been such a problem to and a burden on communities such as mine. He will find many good things happening in my constituency—I have always acknowledged that—as a result of the working partnership between the Welsh Office, the local authority and other agencies. He will find a local authority which, because of the persuasive character of myself and other hon. Members, is to enjoy the restoration of Merthyr's proud county borough status. We managed to persuade the previous Secretary of State to be a listening Secretary of State in that important respect.

Unfortunately, below the appearance and even the actuality of the developments in my community, serious issues are causing problems and they desperately need to be addressed. Quite frankly, the appearance of development conceals the cumulative growing social and economic problems faced by families and by the community as a whole. Far, far too many people are without jobs; far, far too many people—men in particular—are economically inactive. One estimate based on the 1991 census suggests that up to 40 per cent. of men of working age in my constituency are economically inactive. That is not healthy, it is not right and it cannot be ignored.

Despite all the modest improvements in local employment, there is still a massive problem. We have to live with the fact that far too many people are out of work. I was in the House in 1972—I am not sure whether the Leader of the House was—when a Conservative Government rightly panicked because the unemployment total had hit 1 million. They had to introduce an emergency budget because there were 1 million people out of work. Now, we have to live with the fact that more than 3 million people are out of work.

My constituency has an especially high unemployment rate, so the first problem that the new Secretary of State will have to deal with is the sense of resignation, even fatalism, now felt not only by young people but by the middle aged, who believe that they will never get a quality job again. The Secretary of State should talk to people in employment in Wales because I am afraid that there is no feel good factor among them. Many of them feel that they are working harder for less money. Low pay in the community is as demoralising as no pay at all. It is a serious issue.

I was fascinated and, indeed, impressed by a lecture given by the right hon. Gentleman's previous boss, the Secretary of State for Social Security. He said:

"This widening of earning differentials between the skilled and unskilled does not just affect unemployment. It lies behind, or is intertwined with, many of our social problems. It may play a major

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part in the break up of families, the growth of lone parenthood, and a growing welfare dependency. It may even play a part in explaining delinquency and crime."

There are certainly wide earning differentials in my community.

The Government have said that they want to roll back the state and remove its power from people's lives. I am sad to tell the new Secretary of State that during my political lifetime the state has never been more intrusive than it is now in the lives of people in my constituency. It is one of the saddest and most ironic consequences of economic developments during the past 15 to 20 years. People are now more dependent on the state. The state is more intrusive in their lives because they are dependent upon it for benefit because of redundancy and unemployment. We do not want that. The image that we actually like such dependency is nonsense. Indeed, the measure introduced by the right hon. Gentleman in his previous job to introduce a new incapacity test and remove people from invalidity benefit will have a dramatic effect on purchasing power in my community. He will be able to see the effects of those changes on the people in Wales.

What should be the new Secretary of State's priority? He must try to break through the resignation and fatalism felt by so many about the chances of getting a decent job. I am glad to say that he succeeds to a Welsh Office that has never really bought Thatcherism. It has done its own thing under successive Secretaries of State. It has the capacity and power to manipulate skilfully. It can use its powers to work with other agencies to create jobs and attract inward investment.

Therefore, the right hon. Gentleman's first priority must be to put the Welsh Development Agency back on track. The Leader of the House will be aware that it has suffered a sad, distracting and debilitating series of problems, which in my opinion arose partly because the agency had taken its eye off the central need, which is to create jobs, especially in the manufacturing sector. Recent figures show that inward investment has fallen. We do not know whether that is directly associated with the WDA's performance, but it certainly cannot have been any help.

When people say to me, "Where will the jobs come from? Jobs can't be created any more", I say to them that they are already in south Wales. All along the M4 corridor, from Sony to National Panasonic, are large and major assembly plants. Components pour into those plants; a series of manufacturing services are required to maintain them. It must be a major new priority to change the source of an increasing proportion of that component work and manufacturing services and channel that into neighbouring communities, such as mine, which are adjacent to the great assembly plants that have been attracted by inward investment. In other words, the jobs are already there; we need simply to ensure that a higher proportion of component and manufacturing needs are served by local companies in south Wales. That should be the Secretary of State's priority.

I have argued with successive Secretaries of State that we should have not only a "Source Wales" but a "Source Valleys" campaign. We need more than words and glossy brochures; we need the Government to use their powers to attract and develop component making and manufacturing services for our great assembly plants. Although there have been many good efforts, the results are rather poor. The new Secretary of State should set himself and us targets for the future development of jobs of that kind which will break through the fatalism and sense of resignation still felt by so many communities.

10.49 am

Mr. Warren Hawksley (Halesowen and Stourbridge): I thank you, Madam Speaker, for calling me to speak on what I believe to be an important subject, one that the House should debate before the summer recess. I am referring to the imminent sale of 51 per cent. of the shares in Birmingham airport to Lockheed, the American company. During questions on the business statement last week, I asked the Leader of the House for a debate or statement on this topic. I am therefore grateful for this opportunity to raise the matter before the recess.

The airport is currently in public ownership and owned jointly by the metropolitan boroughs in the west midlands. My interest is that of a Member of Parliament for one of those boroughs. You, Madam Speaker, also have a constituency interest in the future of the airport. Dudley is one of the boroughs involved, and it is interesting to note that the Labour leader of the council in Dudley is also the chairman of the company that currently owns the airport. One of my constituents also wishes to be given the opportunity to purchase the airport. He is Roy Richardson, a large business man in the black country.

Following my request last Thursday, I was rather surprised that the chairman of the airport company, Councillor Hunt, should tell me not to interfere in the future of the airport but to look after my constituents. That is exactly what I am doing and what I intend to continue to do. It seems that the Labour council leaders involved enjoy their ownership of it and treat it as a toy that they, like children, refuse to give up.

I raise this issue at a time when it is accepted that the airport's future financing depends on its being able to attract private sector investment. That has been clearly stated and accepted by the councils involved. The former Minister for Aviation and Shipping, Lord Caithness, advised local Labour councillors how to go about raising more money for future development and told them the Government's view some time ago.

My first question is why are we selling only 51 per cent. of the shares? Surely it would be for the benefit of the councils and the taxpayers to sell 100 per cent. of the holding currently in the public sector. Many airports are currently run efficiently and successfully in the private sector. They do not need worthy councillors interfering with commercial decisions; they decide on commercial grounds how to run those airports and do so with great success. Whether the sale is of 51 per cent. or 100 per cent. of the holding, it is essential that it is completely above board and not decided over sandwiches in a smoke-filled room. For the benefit of the public purse, the councillors should get the very best price for the assets that they hold.

I wrote to the Department of Transport asking what the Government's view was. On 11 May, I received a reply from Viscount Goschen who was by then the Minister for Aviation and Shipping. I was advised:

"It is up to the local authority owners to decide how privatisation should take place, though they will of course be mindful of the need to satisfy their auditors that they have obtained the best price."

It is important that the best price is obtained for the public good. I question whether speaking to only two foreign companies, which are presumably offering the councillors an agreement as to how the 49 per cent. holding will be handled, will necessarily obtain the best price.

In the west midlands, there are three potential purchasers, all with local interests—National Express, West Midland Travel and the Richardson brothers. They have not been given the opportunity to be considered or told exactly for what they should be tendering. I do not wish to make political points although Opposition Members suspect that I may be doing so. However, I shall quote briefly from a newspaper article written, not by a Conservative, but by Graham Findlay in *The Birmingham Post* on 14 April. The article is headed "Politics leaves bids grounded", and a secondary heading reads,

"Graham Findlay blames 'old Labour' for the row over Birmingham Airport's sell-off".

The article states:

"There is a sinister political sub-text to the reasons given in public for refusing to consider three Midland bidders for Birmingham International Airport.

The three who are being left out in the cold are National Express, West Midlands Travel and the property developers the Richardson twins . . .

Officially, the councils say they want the 'internationally-recognised and relevant strategic skills' which the Irish and American buyers could provide . . .

But behind the plausible reasons for wanting foreign partners at the airport lies what appears to be blatant political prejudice on the part of the seven councils.

At the end of last year West Midlands Travel and BZW, advisers to the councils, were involved in some preliminary talks over the deal.

But then it became apparent that the sale of WMT to National Express would make WMT's managers a great deal of money . . .

And it is said that once news of the payments became known, several Labour councillors insisted they would have nothing more to do with WMT or National Express as potential partners at the airport . . .

Meanwhile, Don and Roy Richardson have also fallen foul of the Labour cabal."

These are not my words but those of Graham Findlay in *The Birmingham Post*. The article continues:

"The Richardsons have had faith in the West Midlands through lean years as well as fat, investing in new projects during the recessions of the early 1980s and the early 1990s.

Yet they are not wanted at the airport. As Mr. Roy Richardson says: 'They are happy for us to do the dirty jobs but when the juicy ones come up, we are left out.'

Once again, we see the local Town Halls' avoidance of successful examples of successful local capitalists.

But for many Labour councillors, the Richardsons face another prejudice. They have been known in the past to lend their support to the Conservative Party.

That alone would almost certainly prove too much for some Labour councillors to stomach."

We now know why they are excluded from being considered for future ownership of the airport. The other two potential purchasers are in no way political, but the whole issue needs to be tackled before the recess. It is especially urgent that the matter be discussed now because the local councillors who currently own the airport are likely before the end of the month to accept a bid from Lockheed to become their partner with a 51 per cent. holding.

I should like to ask my right hon. Friend the Leader of the House what can be done, first, to stop the political fiddling; secondly, to ensure that everyone—especially those actively involved in industry in the west midlands—has a fair opportunity to bid for the airport; and thirdly—this is important for all our constituents—to ensure that we obtain the best price for the sale of this public asset.

10.58 am

Mr. Archy Kirkwood (Roxburgh and Berwickshire): May I take the Leader of the House away from the tribulations of Birmingham airport to the more tranquil setting of the River Tweed in Roxburghshire? Before I do so, I must say that Scottish Members owe him a great debt for enabling the House to go into recess relatively early this year. Scottish Members who might have had difficulties greatly appreciate the additional scope that we now have for taking family holidays before school begins again in August.

Before we adjourn for the long summer recess, I ask the House to consider the system of allocation of capital borrowing consents which are to be used by the new Scottish unitary authorities after 1 April next year. As the House will know, in April 1996, the number of Scottish authorities—currently nine regional councils plus three islands authorities—will be increased to 32 unitary councils consisting of 29 unitary land-based authorises and three islands councils. One does not have to be an accountant to recognise that, by virtue of that fact, a larger number of authorities with smaller capital budgets will lead to potential difficulties in paying for unusually large capital projects.

It is a matter of concern across parties that a new system for allocating those important capital borrowing consents has not yet been finalised. A rumour is going around that there will be a system of allocating 75 per cent. of the budgets to the local councils with a residual 25 per cent. being top-sliced and kept in a central pool for allocation on a national basis to larger capital projects.

Whether or not that is true, the planning processes of a number of larger capital projects are being stymied because of the uncertainty. If the matter is not soon resolved by proper consultation with the local authorities concerned, that inevitable confusion and uncertainty will serve to delay further the start of the larger Scottish capital projects involved. Certainly, to go through the long summer recess without that matter being resolved will cause great concern.

To illustrate the point, I shall cite the case of my own roads authority—the Borders regional council—which has had a project ready and awaiting capital borrowing consent for more than two years. The local authority in the Borders region sees an urgent need to build a new road bridge across the River Tweed down river of the Rennie-designed road bridge which joins the two halves of the town of Kelso. The Rennie bridge is a grade A listed building. It was built many years ago, it is an exceptional piece of architecture and any sensible system should preserve it on an architectural and heritage basis for the benefit of future generations. It was certainly never designed to cope with the volume of traffic or, indeed, the size of vehicles today, 12,000 of which cross it daily.

The road platform on the bridge is extremely narrow—it is not up to modern standards—and it is far too narrow for safe pedestrian use. Indeed, a recent tragedy occurred

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when a fire engine travelling across the bridge went through the parapet wall and fell the long drop into the River Tweed killing one of the fire crew which was responding to an emergency call. That underlines the danger of the Rennie bridge being the only one available to the population and the local community.

The intolerable traffic congestion which is building up because of the bottle-neck caused by the bridge is inconvenient to the point of interfering with the normal economic life of the town. The local roads authority has paid careful attention to that factor in identifying the need for a replacement bridge. In addition, the fabric of the environment of the centre of Kelso is being knocked to bits by the through traffic, which is forced—because there is no other route—to go through the town centre to cross the Tweed over the Rennie bridge. If anything happens to cause the bridge to close, as was the case with the fire engine tragedy, the diversions required to get to other bridges which cross the Tweed are totally unacceptable, involving detours of some 20 miles in total. A new road bridge would provide relief on all those fronts and is now long overdue.

Public initiatives have been sponsored by the people of Kelso to make their anger and frustration known to Ministers. They included a massive petition which I presented to Ministers and a delegation which I led to see the Scottish Office Minister with responsibility for roads. However, the people of Kelso now feel dismay bordering on outrage because Scottish Office Ministers refused to sanction the necessary consents for the project for the second year running in April this year.

The Borders regional roads authority has an annual capital allocation of just over £4 million. The Kelso road bridge replacement will cost around £8 million. One does not have to be an accountant to appreciate how difficult it is to pay for an £8 million project out of a £4 million annual budget. The galling thing is that almost £1 million of capital expenditure had been committed by the Borders regional roads authority to financing public inquiries, initial survey and design work and acquiring the land to enable the new bridge to be built. That money is tied up, serving no useful purpose and it will have no effect until central Government consent is forthcoming to start building the new Kelso bridge.

In addition, and compounding local anger, Scottish Office Ministers have been unfairly leading on the local authority by appearing to agree the consents necessary for the new bridge in principle when the project appeared in the on-going transport forward planning documents required by statute to be lodged by the local authority. The documents have been submitted and approved by Ministers without demur or comment. The implication is that if the plans are in the three-year rolling programme, they will be given capital consent approval when their time comes. Yet now, although the bridge is ready to be built, Ministers are actively withholding the additional £2 million borrowings needed by the local authority in each of two consecutive years to allow the new road bridge to be built.

I give due notice to the Government and Scottish Office Ministers in particular that the people of Kelso will persist in raising this issue on a regular and frequent basis until the Scottish Office recognises the urgency of the need for a new bridge at Kelso. In the meantime, I urge the Leader of the House to draw the matter to the attention of the new Secretary of State for Scotland. The Secretary of State has a new ministerial team and the chance to look afresh at the merits of this case. I make two pleas. First, urgent steps should be taken to agree a new system of allocating borrowing consents for all the new councils in Scotland after next April, because it is delaying important planning of unusually big projects.

Secondly, and particularly, urgent reconsideration should be given to the approval of borrowing consent for the building of a new road bridge for Kelso. I would be much obliged if the Leader of the House could take whatever opportunity he has to raise those matters urgently with his colleagues in the Scottish Office.

11.7 am

Mr. David Martin (Portsmouth, South): As we enter the long recess, I want to air a few matters on my mind before summer atrophy sets in to political and parliamentary life. The first matter is Bosnia. It is right to hold an emergency debate this evening on that subject. I asked to speak in this debate before I knew that there would be an emergency debate. So, since a bird in the hand is worth two in the bush, and having been called, I shall speak on Bosnia in this debate as I cannot guarantee being called in the later debate. I hope that the emergency debate might even prevent us from being recalled during the recess to react to yet another dangerous escalation of activity in that region.

Whatever happens, however palpable the failure of the central purpose of the United Nations and NATO mission, there seems to be no sticking point at which Her Majesty's Government say, "That is enough, we must change direction." Lately, we appear to be driven by French taunts of appeasement. They are taken more seriously by us because of our relations in the European Union and our efforts at foreign and defence policy co-ordination. Those efforts will be soured if we give the French a dose of realpolitik rather than indulge their spirit of moral crusade, which is frankly indistinguishable from the ravings of Gladstone over a century ago, and as damaging to British interests.

The comparison by President Chirac concerning appeasement in the 1930s is a ludicrous historical analysis. The threat of Hitler's Germany was wholly different, not least in directly and vitally affecting the peace and security of this country as well as of France.

Facing the challenge confronting us in the former Yugoslavia, we desperately need a clear and accurate historical perspective. Every now and again during the past century and a half, the eastern question, which is centred on what to do about power struggles and atrocities in the Balkans and the pot-boiling interventions of interested nations, stirs demands for some definite action. Most people are relieved that they are not asked to understand, let alone to unravel, the intricacies of a geographical and historical tangle that is more complex than the Gordian knot. On occasions—now is one of them—matters become deadly serious for our country.

We are ordering our service men to risk their lives for the present policy of supporting a United Nations operation, ostensibly with the laudable peacekeeping humanitarian objective of saving lives and bloodshed, but increasingly risking the waging of war in furtherance of

those aims. The truth is that there is no peace to keep in the war zones of Bosnia and no agreement between the warring factions that is likely to bring it about.

The British interest and the limits of British power need to be clearly understood and defined. It would be madness for us to attempt, whatever the shadow Foreign Secretary urges us to do, with the French and whoever else joins us, to pick sides and to impose peace. There is no overwhelming public support for fighting such a war. The United States has no intention of committing ground troops to Bosnia for anything but aiding a general withdrawal of United Nations troops once it has seen beyond question that the peacekeeping mission has run its course. Withdrawal, even with full air support, is no easy task and will undoubtedly involve the abandonment of military equipment. It will also mean lifting the arms embargo.

Withdrawal and lifting the arms embargo would have the catastrophic consequences to which my right hon. Friend the Prime Minister referred yesterday. But our objectives must be limited to our power to carry them out and that applies to the whole United Nations and NATO effort. There is no ignominy in withdrawing when we have decided that our humanitarian efforts are no longer sufficiently succeeding. Every moment longer we remain, we shall be held responsible by both sides for what happens. We shall be associated with the bloodshed and we shall face impossible demands from both sides to act or to cease from acting.

At present, we have a classic example. The Bosnians say that they will use United Nations personnel as human shields unless NATO air strikes are called against the Serbs. The Serbs say that they will kill United Nations personnel if air strikes are used. It reminds me of the dilemma faced by Elizabeth Bennett in "Pride and Prejudice" over the marriage proposal from Mr. Collins. She was told by her father:

> "From this day forward you must be a stranger to one of your parents. Your mother will never see you again if you do not marry Mr. Collins and I will never see you again if you do."

Our policy on Bosnia should now be to recognise that direct negotiations between the warring parties will not happen in the foreseeable future. The United States will not get involved with ground troops and without United States involvement in a world crisis of this kind, we certainly cannot make substantial headway. We should direct our diplomatic and military efforts, with the United Nations, to contain the fighting and to prevent it from spreading into peaceful parts of the former Yugoslavia or over the borders into other countries. That has been our traditional historical role in the Balkans and to that role we should return as soon as possible.

I turn briefly to more domestic politics and I shall look well beyond recent troubles and the unnecessary bloodletting of the recent leadership election. The Government now require a coherent strategy based on clear policy and decisive, competent action. My right hon. Friend the Prime Minister must capitalise—a good Conservative word which I hope is back in fashion—on his victory in the recent leadership election by delivering decisive and competent action. Our constituents must be able to recognise it.

In recent days, the words of Southey about the battle of Blenheim have been running through my mind and I want to share them with you, Madam Deputy Speaker. He wrote:

> "Everybody praised the Duke
> Who this great fight did win.
> 'But what good came of it at last?'
> Quoth little Peterkin.
> 'Why that I cannot say' said he
> 'But 'twas a famous victory.'"

Good must indeed be seen to come at last to my right hon. Friend the Prime Minister and to the fortunes of this Government, and the electorate must be able to identify with it and to feel it.

We have a reshuffled Government in place, the most noteworthy creation being the new post of First Secretary of State and Deputy Prime Minister, with a flexible job description to give ample scope to the energies of my right hon. Friend the Member for Henley (Mr. Heseltine). In speculating on the likely success of such a creation, it is interesting to note the words of Rab Butler in his excellent autobiography, "The Art of the Possible". In referring to the relaunch of the Conservative Government after the night of the long knives in July 1962, he wrote:

> "I was named First Secretary of State and invited to act as Deputy Prime Minister, a title which can constitutionally imply no right to the succession and should (I would advise with the benefit of hindsight) be neither conferred nor accepted."

We must wish my right hon. Friend the Member for Henley—and ourselves—every good fortune with that job. My right hon. Friend certainly has work to do in it.

I do not detect in my constituency any hunger for a Labour Government. Frankly, that is so whatever the notoriously unreliable and ephemeral opinion polls and local election reversals might suggest. It is not difficult to identify the policies on which our political recovery will be based. They are not complicated, they are traditional Conservative ones and they have been aired most notably by my right hon. Friend the Member for Wokingham (Mr. Redwood) in recent weeks. Those policies include lower taxation, support for the prudent pensioner, especially those, mainly women, now in their 70s and 80s, support for small businesses through tax and rate changes, a reduction in public expenditure and the bureaucracy that underpins it, strong defence and the maintenance of our traditions.

We should not, for instance, be proposing to cease Royal Navy mast manning and field gun exercises which continue to have real relevance to training, fitness and morale, and which cost peanuts compared with the expenditure on desk jobs in the Ministry of Defence and other Government Departments, which inspire no one in Portsmouth or anywhere else with a sense of the glory of our military traditions. What Conservative Minister with any pretensions to a soul could consider signing such a demolition order and consigning such useful traditions to untimely collapse? Instinct alone should stay his hand. We must stop doing such things if we are to regain the respect and trust of the electorate.

The same goes for agreeing to shut or amalgamate successful and popular small schools or hospitals. To those who believe that it is impossible to cut public expenditure by significant amounts, I refer the excellent speech by my hon. Friend the Member for Bridlington (Mr. Townend) in last Tuesday's economic debate. If I had time, I could add to it and I will certainly do so in due course. I refer those who scoff and who say that it is impossible to cut taxation—certainly not to the extent of £5 billion—to the statements by my right hon. Friend the

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Prime Minister and by Government sources to the press about the abolition of inheritance and capital gains tax and the possible introduction of transferable tax allowances. Those changes together amount to well in excess of a mere £5 billion.

Mr. Marlow: Is my hon. Friend not encouraged by the fact that the Prime Minister is already making headway in his commitment to do away with capital gains tax with regard to share options? Tax on those has now been transferred to income tax.

Mr. Martin: I am very encouraged by what the Prime Minister is saying at present about taxes and I hope very much to see action resulting from it in addition to that to which my hon. Friend refers. Of course we can and we should cut taxes and of course it takes the will to do so. The Government must demonstrate that will and restore their credibility with the electorate with low taxation, which is a crucial difference between us and the high-spending, high-taxing Labour party.

I repeat that there is no appetite for Labour, new or old, or for what passes as its policies. Nor is there appetite for the Liberal Democrats, the ultimate beneficiaries of disillusion, protest and abstention. The vacuum is on the Opposition Benches. We do not need further lengthy consultation exercises on every policy under the sun. I hear that the latest is contained in a 10-page document sent by central office to my constituency, with no copy to me. I merely represent my constituents in this place and could certainly let the Government know, to the best of my ability, of some of the ideas that would represent my constituents.

The new Government, even fresher than new Labour, have the initiative at present and right up to the general election. They must keep that initiative. We must all use the time left in this Parliament to secure the best for our constituents and the best for our nation.

11.19 am

Mr. Derek Fatchett (Leeds, Central): I will not be tempted to follow the route taken by the hon. Member for Portsmouth, South (Mr. Martin). I do not wish to intervene on the internal grief of the Conservative party. That grief has been displayed openly in recent weeks, and it is not worthy of any further discussion on this occasion.

I wish to take the opportunity briefly to talk about certain events in my constituency and to raise a more general issue that relates not just to inner cities, but to our political system as a whole. Last week in the Hyde park area of Leeds, there were two nights of what the media referred to as rioting. The Hyde park area is partly in my constituency, and partly in the constituencies of my hon. Friend the Member for Leeds, West (Mr. Battle) and the hon. Member for Leeds, North-West (Dr. Hampson).

The problems in the area are typical of those of an inner city; high unemployment—particularly among young people—housing stress, changes in the traditional family and family breakdown. The problems are more acutely felt in a city such as Leeds which has done extremely well economically in recent years. There is a real social and political problem when pockets of deprivation lie alongside noticeable pockets of affluence, as people feel that they are missing out on what they consider to be their rightful stake in society.

There is a problem in the way in which our political system discusses inner-city issues. There is a great danger in the House that although we talk about the problems and exchange statistics, we are simply failing to relate to the key players. For many of my constituents—this may be a result of my own failures—the political debate is totally alien to the immediate day-to-day problems that they face. If we in this House do not get a grip on those problems, there is a real danger that we will allow an underclass to fall outside our political system. Those people will not be represented, and may become extremely dangerous to our long-term political stability.

Let me give one fact about last week's events that struck me as one of the most frightening statistics that I have come across for some time. When I talked to the various agencies directly involved in the events—the police, the local authorities and others—it was suggested to me that, on the first night, somewhere between 100 and 150 young people were involved in the activities on the street. They were not organised, nor were they bussed in from other cities. It happened spontaneously, and they were in direct and open conflict with the police. They threw stones and razed a pub to the ground. Cars were burned and other activities took place in which some 100 to 150 young people were directly involved.

Hyde park is an area where there has been a good working relationship between the police, the voluntary agencies, the local authority and the local community. If one wants to look for an inner-city area which has achieved many of the things talked about in the House and elsewhere, Hyde park is one. Yet we still have a large number of wholly disaffected young people.

I do not believe that we can simply attribute to those young people some innate evil that makes them behave in that way. I suspect that a relatively small number of those 100 to 150 young people are involved in organised or regular crime. But we cannot simply say that the majority of those young people are evil or naturally criminal, and that they must be written off.

We have a problem, because it is too easy just to write this off as a law and order issue. It is a much more difficult problem than that. I fear that in my constituency—I suspect this can be replicated up and down the country—we have a generation of young people who are lost to and lost in our society. Unless we relate to those young people, we will have deep and long-running sores in our society.

What can we do? First, we as politicians must recognise that there is no magic formula or panacea. While there is no answer that we can give from on high, there are things that we can do. It might sound economically deterministic, but I think that jobs are crucial. If we do not provide jobs for young people, they will have no hope or no expectation of a stake in society. We must think radically about how we provide jobs.

There is a worrying culture developing in our inner cities in which work no longer has a central part. In many parts of my constituency, people simply do not have a disciplined structure to their lives because they have no role in the labour market. Jobs are crucial. I do not know whether you, Madam Deputy Speaker, or other Members have been following an excellent series of articles on the subject in *The Guardian*. What came through from one of those articles was a sense that our young people—

including those in our school system and primary schools—are saying that they have no hope, no ambition and no expectations.

Mr. Nigel Spearing (Newham, South): My hon. Friend has touched on a most profound point for this country and for the House. There is no expectation among our young people not only for themselves, but for their friends and for the future of their families and our society. Does my hon. Friend agree that the primary duty for all parties in this House and those outside is to try to get an economic policy—wherever it may come from—which centres on the need to distribute employment in society so that the sense of expectation can be revived and maintained?

Mr. Fatchett: I totally agree with my hon. Friend. I shall digress briefly by relating some personal and anecdotal evidence of some problems in the inner cities. I visited one of the secondary schools in my constituency a few years ago. I may have been full of the middle-class work ethic, a sense of achievement and a belief in our educational system. I remember saying to one streetwise 13-year-old that I hoped that he was working hard and doing all that was necessary to get good GCSE results to enable him to go on from there. He looked at me as if I came from a totally different world and said, "If I work hard, I finish up on a scheme. If I do not work hard, I finish up on a scheme." He had worked out that equation, and decided that he might as well enjoy himself at that stage because—whatever happened to him—he would finish up on a training scheme. My fear is that, in a few years, he might not even have the ambition to finish up on a training scheme.

We must seriously relate to these issues across the political parties. Jobs are important, but a change in our style as politicians is also needed. We must listen more. All of the institutions and agencies operate from the top down and are too top-heavy in terms of solutions. The ideas move from us to them, whereas we should be allowing them to come up with their own solutions. I recognise that if we allow young people much greater control of their own lives, we take risks. But if we do not allow young people that responsibility, there is a real danger that they will simply fall outside our structures.

Following the events in Hyde park, people said to me that what was needed was a new youth club in the area. That suggestion was made with all the best intentions in the world, but those who made it have failed to understand where we are. We must find flexible, informal and creative ways of relating to young people. It is not just about jobs. We must also tap into their culture and give young people a sense of hope.

I should also like to raise the issue of drugs, a subject that is difficult for us as politicians to deal with. Hon. Members who represent inner cities—the problem may be more broadly spread now—will share my concern and fear about the explosion of criminal activity and violence surrounding the developing drug culture. It is difficult for my generation to understand and relate to the drugs problem; it is easy enough to be frightened by it, and to feel that it is alien.

Time after time, experienced, level-headed and sensible senior police officers in the Leeds and west Yorkshire area have told me that some 80 per cent. of crime in the area is drug-related. There is the problem of trafficking, which can be serious; much more relevant to us as citizens, however, is the fact that a large amount of crime is committed to pay for the addiction that exists in the inner cities. I could take hon. Members to any part of my constituency tonight, and they could see young people using drugs. It is frightening.

How should we respond to the problem? It is difficult for us, as politicians, to produce a response. We are in danger of scoring cheap political points at a time when important issues surround young people. If we do not respond, however, the criminal spin-off from drugs will change not just the lives of the individuals directly concerned, but all our lives. Any hon. Member representing an inner-city constituency will have tales of crimes committed against innocent constituents simply because people have been under the influence of drugs, or need money to pay for them.

I can offer no easy solutions, although I have no hesitation in saying that the hard core of drug traffickers should be locked up for a long time, and I am sure that all hon. Members agree. The majority of decent young people, however, pose a different problem: for them the gratification side of the drugs equation is known and experienced, but the risks are ignored or unknown. We must talk to those decent, ordinary youngsters who have been pulled into the drugs net.

This may be partly based on hope, but I think that we could do more. We could listen more to young people; we could condemn less, and devote more time and effort to conveying the message that drugs pose too great a risk for people to become involved with them. Let me issue a plea to the Leader of the House: we need to adopt creative, radical methods to put that message across. If we do not tackle the problem, much of what we know as life in the inner city today—with all its problems and brutality—will continue to deteriorate. I am sure that the Leader of the House is sympathetic; I hope that the Government, with the support of all political parties, will provide more education about drugs and so promote greater awareness.

We need more resources to provide drugs education, jobs and housing. That plea is heard in many debates on the inner city; let me add that we, as politicians, should relate more to the problems of the percentage of society who are increasingly disaffected and falling through the net. We must understand the depth of the change that has taken place in our inner cities. We cannot afford not to allow our fellow citizens to be part of our political debate, and to gain from it.

If we do not relate to the problem, there will be political, economic and moral costs for us all. There will be economic costs because we are wasting the talents and resources of many of our fellow citizens, especially members of the next generation. There will be political costs because, if we do not relate to the problem as politicians, our system will be weakened and grounds will be provided for extremism of all kinds, which will be very damaging in the long term. Finally, as an affluent society we cannot morally justify the fact that a percentage of our fellow citizens have no right to a stake in that affluence. All hon. Members enjoy that affluence, and I feel that we have a moral responsibility—whatever we say in politics—to try to ensure that our fellow citizens enjoy the same affluence and personal well-being.

11.34 am

Mr. Patrick Nicholls (Teignbridge): I am sure that my constituents would not want the House to adjourn without

[Mr. Patrick Nicholls]

my having the opportunity to raise an issue that I have raised numerous times over the years: the state of the water industry in the west country.

The facts are reasonably well known by now. We in the west country are responsible for cleaning up about a third of the beaches that were found to be deficient under a European directive. Local resources have had to be used to clean some 130 out of 455 beaches. It is easy to say, with 20-20 hindsight—a piece of equipment that I, as a politician, will always use when it is to my advantage—that the Government should not have privatised the water industry in the way that they did, given that we now know that the beaches had to be cleaned up. We did not know it then, however. The fact is that 1.5 million people—or, more probably, about 900,000, given the number who actually pay water charges—are responsible for cleaning up a third of the nation's beaches.

The pressure on prices in the west country is stunning. It has been said that the average annual water charge is about £300 per household because of the high rateable values in the area. It is by no means uncommon for an elderly single person in relatively modest accommodation to pay well over £400 a year, and before long what could be described as an affluent household in the suburbs may be paying well over £1,000—in some instances, as much as £1,800 or £1,900.

It is all very well for those who can afford such charges to say, "It is just one of those things; we must cope with it." For many people in the west country, however, the situation is frightening. In the not too distant past, residents have seen their water bills rise by up to 20 per cent. per annum. They are paying for the one staple of life the use of which they cannot possibly control.

I hope that I can say, without sounding unduly and uncharacteristically flippant, that it is not much consolation for an 80-year-old widow with a zimmer frame to know that surfers in the west country are able to enjoy amazingly clean water. Such people have rather more pressing concerns, and they are having to pay massive bills.

What can be done? A great deal has already been done over the years. At long last, as a result of hon. Members' efforts, Ofwat has been prepared to recommend that the huge year-on-year increases in the west country should not continue, and that increases should be pegged to the rate of inflation. Some say that we should consider reductions in charges; that is a nice idea, but it was never going to happen.

It would have been something if charges could have been pegged so that people at least knew what they were having to budget for. That was a definite prospect last year, when Ofwat made its recommendation. South West Water has appealed to the Monopolies and Mergers Commission, saying that it has not enough money to perform its statutory functions; apparently, however, it had nearly £1 million to devote to the effort to overturn Ofwat's judgment. I do not know whether that figure is accurate, but when I put it to South West Water it was not contradicted. I dare say that South West Water has better things to do.

As I have said, people are paying massive charges for a staple that they cannot control, and seeing no end in sight. That is the general background; I have gone into much more detail in the past. An interesting fact that I have discovered during a life in politics is that things can always get worse—and if they can get worse, they probably will.

One weekend recently, people in the higher-lying parts of the west country found that, when they turned on their tap, nothing happened—no water came through. In certain parts of Cornwall, people found that what came through the tap was obviously unfit to drink. Having paid the highest water charges in the country, they suddenly found that the process of turning on a tap did not produce the water that they were paying for.

Not everyone connected with the south-west and the consumption of water on that weekend suffered the glum reality of water not coming through. One person who was able to consider that in a rosier way was none other than the managing director of South West Water, Mr. Fraser. He was revealed in the *Sunday Times* to be watering his garden—a marvellous occupation, if you have the water to do it. Doubtless, while watering his garden, he was contemplating what he would do with his latest pay rise—a pay rise of £67,000 per year—a remuneration package. Mr. Fraser subsequently wrote to me, saying that that was not a pay rise as such—it was not him but one of his minions; obviously he would not write to a Member of Parliament about that sort of thing—but a total package of about £67,000. He was quizzed about that by a journalist—it is interesting to meet someone who is paid even more than a journalist—and he said:

"My salary has been frozen for some time. This was a modest rise."

Let me make one thing clear. I am not some latter-day Leveller and I have no difficulty with the payment of high salaries. I would have no difficulty in conveying a message to my constituents that, to retain the best people for a difficult job in a competitive world, it is necessary to pay the rate for that job. I understand that, and I understand the language that says that an organisation must pay whatever is necessary to recruit, retain and motivate.

However, the problem is that, often in the water industry, it is not an issue of bringing people in who bring their great expertise to bear because of the salaries available; they are the same old shower who were there in the first place.

To be fair to Mr. Fraser, he was actually brought in from outside, but a great many people would have asked themselves, that weekend when they had no water in their taps and they saw the spectacle of that gentleman in Surrey watering his garden, contemplating what to do with his extra £67,000, why it was necessary to pay that money. I do not know.

Perhaps, for the rest of the year, head hunters were beating their way up the path, past those lovely, well-watered flower gardens, to present themselves at Mr. Fraser's mansion, saying: "You are such a successful person that we shall offer you plenty of money to leave South West Water." That may have happened, but a cynicism born of many years in politics suggests to me that that may not be true. I have asked, but I have not yet been able to discover any head hunters for Mr. Fraser—scalp hunters, yes, about 1.5 million of them, but no head hunters.

I could be wrong. Perhaps it is necessary to pay a massive sum to retain Mr. Fraser's services, but I should be interested to know what the going rate is. What is the going rate for a pay rise for a managing director of a water

company that is incapable of delivering water? I may be displaying the naivety of a politician. Perhaps one really does have to pay an extra £67,000 to someone to do a job that he is proving incapable of doing, but I doubt it, and so do a great many of my constituents.

It was an increase of £67,000 and a total remuneration of £200,000. If we were here with Mr. Court, the chairman of South West Water, today, perhaps round at his place enjoying a pleasant glass of 1983 Chassagne-Montrachet, he would probably say, as we sip that wine in his well-watered garden, "It is a drop in the ocean compared with what South West Water is actually paying", and he is right—it is. However, a sense of fairness matters, and it is the last straw for people in the west country when they find that the directors of that rapacious water authority, paying themselves mega-salaries, are not even able to deliver the service that they are paid that money to provide.

What can we do about that? Obviously, something must be done. It is not sufficient to say, if anyone were to say it, "It is all very difficult, but in the end, in free commerce, the market must decide."

Mr. David Nicholson (Taunton): It is a monopoly.

Mr. Nicholls: I shall give way to my hon. Friend, if he wants, in a moment.

There is no market in water. It is all about the magical ingredient H_2O. One cannot do without it. The same criteria do not apply to Marks and Spencer, to any grocer or to any other firm in a competitive industry. It is completely and utterly different. The language of the marketplace, which, in my opinion, justifies to the hilt salaries of, in some cases, £200,000—or £2 million, for that matter—cannot possibly apply to the monopoly utility.

I shall say in a few moments, when I have given way to my hon. Friend—*[Interruption.]* I shall not give way.

Mr. David Nicholson: I made my point.

Mr. Nicholls: One aims to please.

What shall we do about it? It is always easy, yet it is always difficult, to draft legislation on one's feet. The shape of what must be done is obvious.

When the chief executive or managing director or senior board members of a company such as South West Water are recruited externally, the company should be required to file with Ofwat a statement of what salary it intends to offer and its grounds for saying that that salary is necessary to attract people of a sufficient calibre. As far as internal reward is concerned, documents should be filed with Ofwat, showing why it is necessary—let us take the case in hand—to pay Mr. Fraser £67,000 a year more than previously. The documents should say who has tried to poach him, who has beaten a path to his door—why it is necessary to pay that sum of money. Then the public can be satisfied.

If it turns out that it is necessary to pay that sum of money to ensure that water does not come through people's taps in the west country, I am sure that the British people, who are fair, will consider the evidence and say that that must be entirely right. Until that is done, however, they will be extremely upset.

Is it a trivial matter? I do not believe so. Every now and again, one comes across a defining issue—an issue that drives people round the bend, an issue that infuriates people almost beyond reason. In the west country, the salaries that the senior personnel of South West Water pay themselves are that defining issue. It goes against every single canon of fairness.

When someone as naturally right-wing and acquisitive as me is compelled to say that figures such as that are an outrage, the matter needs to be tackled. I hope that, if my right hon. Friend the Leader of the House has the opportunity to say a few words about my contribution today, even if he cannot offer any direct solution, he will at least acknowledge that, yet again, a west country Member is bringing on to the Floor of the House of Commons the pre-eminent issue in the west country today. I should also like to think, because I have a great deal of confidence in him, that he might be able to say something that will give people some cheer that that sort of outrage will one day cease.

11.46 am

Mr. Tom Cox (Tooting): I shall briefly comment on the speech that we have just heard. I am sure that all of us, whatever part of the country we represent, will fully agree with what the hon. Member for Teignbridge (Mr. Nicholls) said. He spoke about the west country, and obviously the problems that he and people who live in that part of the country experience, but the problem exists throughout the country. It is not only water charges, which, as the hon. Gentleman said, cause people to drive themselves round the bend with hopelessness, but the size of salaries. I and, I am sure, many other hon. Members of the House might tell similar stories to the one that the hon. Gentleman related.

This is a matter for the Government, because I do not believe that it should be a political issue, as the hon. Gentleman rightly said. Water is one of the essential commodities that everyone needs, and the Government must urgently consider the matter.

The subject that I would like to speak on for a few moments concerns the Latham committee report on the construction industry. That was published a year ago and the report was commissioned by the Secretary of State for the Environment and prepared by Sir Michael Latham, the former distinguished Member of the House whom I am sure that many of us recall.

The report was well received by all with interests in the construction industry. It was welcomed by companies working in the industry. There are thousands of them, large and small; indeed, about 10 per cent. of the country's gross national product comes from the construction industry. The report was also warmly welcomed by trade unions who have members employed in the industry. I must declare an interest, as the trade union that sponsors me, the Amalgamated Engineering and Electrical Union—which has thousands of members working in the industry—also fully supports the Latham committee report.

The construction industry is vital to this country, but it has faced many problems over the years. They included the late payment of money, the abuse of payment after work had been completed, and arguments about cost and the kind of work that companies had done. Those problems often led to drawn-out and expensive disputes and, in the end, the companies and their workers invariably lost out.

The Latham committee report considered all those issues. It recommended measures to improve relations between clients, contractors and subcontractors which

[Mr. Tom Cox]

would lead to improved efficiency within the industry. As I have said, the report was received very warmly. Early-day motion 557, which appears on the Order Paper, deals with the need for a construction contracts Bill. It has been signed by more than 200 Members from all political parties, including some very senior Members and those who do not often sign early-day motions in this place. I think that that illustrates the support that the proposal for contracts legislation has within the House.

In all constituencies there are construction companies that employ local people, so I believe that the entire country would benefit from such legislation. I impress upon the Leader of the House that it is not a political issue. Sir Michael Latham's proposals are warmly supported by all political parties throughout the country. Members of Parliament and the representatives of the construction industry and companies in our constituencies want to see such legislation introduced in the next parliamentary Session.

The House goes into recess this week and those of us who have been in this place for some time and those who have held positions in Government know that in the next few weeks Ministers and their Departments will be finalising the legislation that they would like included in the forthcoming Queen's Speech. Sir Michael Latham and those involved in the industry—be it the contractors or the trade unions—hope that such legislation will be included in the Queen's Speech.

Tomorrow a major conference will be held at the Queen Elizabeth conference centre. The topic of discussion at that conference will be "Latham: One Year On". We know the nature of the discussions that will take place as there have been many such meetings in the past year. I have with me this morning publications from the Department of the Environment reporting on Latham and his proposals and I have also received similar correspondence and publications from the Construction Industry Training Board.

The early-day motion to which I have referred will obviously be discussed at tomorrow's conference, as will the parliamentary questions that have been asked in the past year. Hon. Members on both sides of the House have asked about the Government's intentions in that regard and I am sure that those questions will figure in tomorrow's discussions. I am sure that the overriding concern, to which speaker after speaker will refer, is when a construction contracts Bill will be presented to Parliament.

One year has passed since the publication of the Latham committee report and, to the Government's credit, it has not been pigeon-holed and forgotten. I pay tribute to the Secretary of State for the Environment for the active role that he has played in the discussions that have taken place about the report. We have a right to look to the Government to make an early announcement about legislation.

When the report was published a year ago, I spoke in a debate similar to this one. Even in those early days, I supported the report, and it was clear from the response of hon. Members on both sides of the House that the Latham proposals enjoyed widespread support and that they believed that legislation should follow. In the past few days, the construction industry has also agreed to the Latham proposals. I understand that the Secretary of State was waiting for that expression of support from the industry. His attitude was: "I am not unsympathetic; but does the industry agree to the proposals?" I have been informed that that is certainly the case.

In conclusion, I hope that the Leader of the House will convey to his right hon. Friend the urgency of the matter. A statement must be made as soon as possible. Many hon. Members—the hon. Member for Teignbridge, who has just spoken, is one of the sponsors of the early-day motion to which I referred—seek the introduction of very clear legislation based upon the Latham proposals.

The industry and its trade unions do not want to see those proposals incorporated in other legislation. The Government of the day often say that, although they are not unsympathetic to a particular case, they cannot introduce a separate Bill to deal with the matter. Therefore, they incorporate the proposals in another piece of legislation from the relevant Department. We want the Government to reach an early decision about introducing a Bill to deal specifically with the construction industry. The proposal has the support of many hon. Members as well as the construction industry and the trade union movement. Therefore, I earnestly request the Leader of the House to convey my comments to his right hon. Friend the Secretary of State for the Environment so that we may know as soon as possible whether contracts legislation will be included in the forthcoming Queen's Speech.

11.58 am

Mr. David Nicholson (Taunton): I shall follow the example of my hon. Friend the Member for Portsmouth, South (Mr. Martin) and refer briefly to Bosnia before I return to issues of domestic politics.

This year we commemorate, among other things, the discovery of the full extent of the Nazi holocaust. This generation will censure those who carried out those atrocities and those who collaborated with them. The President of France recently recognised the tragic and awful contribution of French people to the holocaust and we are aware that other things could have been done to avert it. We must resolve to do what we can to prevent any repetition of that tragedy, wherever it may occur in the world. One thinks of what happened some 15 years ago in Cambodia, only recently in Rwanda and particularly of events in Bosnia, which is on our continent and only a few hundred miles from the borders of the European Union, with some many consequences for general peace in the area. We heard the difficulties described by my hon. Friend the Member for Portsmouth, South and later we shall hear further of the considerable practical difficulties that lie ahead in Bosnia. If the United Nations—which I fear is rather like the Holy Roman empire in the 18th century—scuttles from Bosnia and leaves people there to an awful and tragic fate, history will say harsh things about us.

As my hon. Friend the Member for Portsmouth, South pointed out, my right hon. Friend the Member for Wokingham (Mr. Redwood) and others have made useful points in recent weeks. That internal debate has helped in certain respects, and the Government can pursue various proposals. As to the way in which the national press handled that matter, I intervened in a moving speech by my hon. Friend the Member for Stratford-on-Avon (Mr. Howarth) last week, when he spoke about the concerns of inner cities and difficulties in our society—similar to the

speech made this morning by the hon. Member for Leeds, Central (Mr. Fatchett). In my intervention, I said none of my hon. Friend's points—any more than the points raised by my hon. Friend the Member for Teignbridge (Mr. Nicholls)—were debated in the national press during the important political contest of a couple of weeks ago. Instead, many newspapers subjected us to a catalogue of lies, half-truths, distortion and crude propaganda. It is not sufficient for most hon. Members to ignore such stuff or that many of our constituents appear to have become immune to it. Indeed, some of my constituents have changed their newspaper orders as a result, although I am sorry that the remaining choice is hardly immense. Damage is done to our political system, the Government and the Conservative party's standing if such half-truths and propaganda are believed.

Some years ago, my hon. Friend the Member for Stratford-on-Avon was director of the Conservative party research department. Both my right hon. Friend the Leader of the House and I have worked in that distinguished and honourable department at various times in our careers. I refer to an article by Dr. Robin Harris that appeared in *The Sunday Times* on 9 July, so it is hardly ancient history. That article was not written by an 18-year old scribbler or someone who has just returned from Patagonia. Dr. Harris is also a former director of the Conservative research department and made a considerable contribution to winning the 1987 general election—although Lord Tebbit or Michael Dobbs may contest that claim—and was a member of the Downing street policy unit. His remarks in *The Sunday Times* will have been read by hundreds of thousands of people throughout the country, so I make no apology for quoting them now—and they were outrageous. The headline, which was probably the contribution of *The Sunday Times*, stated:

"The sooner defeat comes, the sooner the right will inherit the Tory party, says Robin Harris".

I am sorry not to hear cheering by Opposition Members because if that comes about, they can extend their mortgages and take their managers to champagne lunches. If those two events occurred, Labour would enjoy the fruits of office for years to come. Dr. Harris then wrote:

"Kenneth Clarke is safe to promote the European single currency. Malcolm Rifkind is free to place Britain's foreign and security policies further under European Community control."

That assertion is absolute rubbish. It ignores our Cabinet and parliamentary procedures.

Sir Teddy Taylor: It is true.

Mr. Nicholson: I am sorry that my hon. Friend disagrees, but I hope that he will allow me to proceed because he might actually agree with something that I will say later.

Dr. Harris continues:

"And the Prime Minister, able at last to express his guilt-ridden loathing of his predecessor and all her works, has the pleasurable prospect of showing his true colours as a big-spending social democrat."

What extraordinary rubbish, and I take the opportunity to repudiate it. As to Dr. Harris's remark about public expenditure, the speech of my hon. Friend the Member for Bridlington (Mr. Townend) contained useful proposals about illegal immigrants and areas of public expenditure that might be curbed. But most of the specific proposals made in recent weeks, if they stand up to examination, would probably not save large sums of money.

The past year has seen considerable debate on education spending. If it had not been for careful management, a degree of patience and various commitments for the future, that debate might have created difficulties for the Government on the Floor of the House. I do not think that there is any possibility of a similar education spending settlement passing through the House next year, so there will almost inevitably be an increase in education spending. We know of concerns about the battle for law and order. My hon. and learned Friend the Member for Burton (Sir I. Lawrence) celebrated the Government's success in that struggle in Prime Minister's Question Time yesterday. If that success is to continue, there must be further spending on the police and associated areas. Difficulties will arise in cutting spending in other areas, such as health, community care and defence.

Sir Teddy Taylor: And agriculture.

Mr. Nicholson: I promised my hon. Friend the Member for Southend, East (Sir T. Taylor) that I would make a point about Europe. Of importance in the Conservative party debate about the European Union is that nothing is predictable. There are no hard lines between right and left or between Eurosceptics and positive Europeans. Despite my earlier intervention, I believe that my party's Eurosceptic wing has made and can continue to make an important contribution. A number of my hon. Friend's points deserve replies, because it is a basic right of hon. Members to receive accurate and effective responses to requests for information. Sometimes, the Eurosceptics aim at the wrong target, because the single currency—which may or may not come about—could bring particular benefits. But I support the Eurosceptics in concentrating their fire on some of the legal and constitutional invasions of our country's affairs. It is not satisfactory that the European Court is able to overturn specific decisions of the British Parliament.

I received in this morning's post a letter from a constituent, Mr. Keith Ross, proprietor of The Tantivy in my nearest town of Dulverton, expressing concern about a report in *Asian Trader* headlined:

"Brussels sets scene for newspaper VAT".

The leader in the same issue comments:

"European Commission President Jacques Santer has made it clear that at next year's Maastricht conference"—

although I am not sure that the intergovernmental conference will be held again in Maastricht—

"the EU will push hard for Britain to give up its right to set its own indirect taxation in order to harmonise levels across Europe."

That will mean VAT on newspapers, perhaps on water services and even on food. I am sure that my right hon. Friend the Leader of the House is aware that there is not a shadow of doubt that such a proposal would not get through the House. It would be resisted by Conservative Members whether they are positive Europeans, Eurosceptics or anything else. I hope that my right hon. Friend will be able to make that clear. I hope also that my right hon. Friend the Prime Minister and my right hon. and learned Friend the Foreign Secretary will make the matter clear in succeeding weeks. Further, I hope that I have the support of my hon. Friend the Member for Southend, East in making that point.

[Mr. Nicholson]

I shall bring my remarks to a close. I am sure that that will please my hon. Friend the Member for Stroud (Mr. Knapman). No recent appointment to the Government gave me more pleasure than his elevation to the Whips' Office. He is enough of a countryman to know the saying about setting a poacher to operate as a gamekeeper. I am sure that he will be successful in the Whips' Office. I am sure also that if he and other members of the Government take note of my concerns—I try to be positive in the struggle about Europe—we shall be a more unified, effective and successful party in the next 18 months.

12.10 pm

Mr. Nigel Spearing (Newham, South): This three-hour debate is a substitute for a form of procedure that produced a formal motion for the adjournment of the House. Under that motion, many of us could argue that the House should not adjourn before certain matters had been debated.

The Jopling proposals, comments on which were received at 11 o'clock from the Select Committee on Procedure, confuse sitting hours, which we all wish to be reasonable, with sitting powers. For example, we cannot extend today's sitting because a decision was taken forthwith yesterday. Reductions in the powers of Back-Bench Members are being recommended—in my view wrongly—by the Procedure Committee. They include the elimination of an amendable motion on the sitting of the House. The House should control how long it sits after receiving Government proposals that are amendable and on which we can vote. It is proposed also to eliminate second Adjournment debates and speeches on Ways and Means resolutions, which relate to the fundamental powers of expenditure and taxation. As I understand it, it is proposed also to eliminate private Member's motions. There would be a major reduction in Member's powers and of those of the public who send us here.

I challenge any member of the Procedure Committee, including its Chairman, to debate the recommendation that the entire Jopling package, as adopted, continue to be considered in the next Session.

If a motion had been before us, I would have tabled an amendment to the effect that we should not adjourn unless and until two topics had been debated. The Government have put these topics high on the list of publicity over the past few days. They will be debated and reported upon in the press accurately or inaccurately, as the hon. Member for Taunton (Mr. Nicholson) said, for the next two-and-a-half months. These topics are the Government's plans for sport and for nursery education and/or education of the pre-school type.

Until yesterday's announcement, we were due to have a debate on the Prime Minister's proposals for sport, which do not necessarily involve public expenditure. It is a bit rich because, since 1979, the Government, through their powers and legislation, have closed 5,000 playing fields. Physical education colleges have been closed. Extra-curricular sport has plummeted as teachers struggle with the administrative burdens of the national curriculum. The Government have done more to reduce opportunities for healthy sport and recreation at schools and elsewhere than any previous Government. Having been involved with sport for 14 years before coming to this place, I looked forward to participating in the debate about the Prime Minister's proposals, but we have been denied that debate.

I am sorry that the Lord President gave a rather misleading reply to my question yesterday. It would have been possible to suspend the sitting rule tonight to have a two or three-hour debate on sport, perhaps concluding it at 1 am. There would have been no vote because it would have been on the Adjournment. As things stand, we are not able to have that debate. That is in tune with the Government's approach of having publicity outside the House on issue after issue and restricting debate in the Chamber. No wonder the public do not think very much of us if there is media comment on the Radio 4 programme "Today" and on television shows and a lack of debate in this place. The decline in the reputation of Parliament may be something to do with that. The Deputy Prime Minister, the right hon. Member for Henley (Mr. Heseltine), who will obviously play an important part in Government information and propaganda services over the next four months, will have to be watched in that context.

I commend my hon. Friend the Member for Leeds, Central (Mr. Fatchett) on his remarks about drugs and recreation. On Sunday, I was on the Victoria dock in my constituency. I note that my hon. Friend the Member for Newham, North-West (Mr. Banks) is in his place. There were young people on the dock. Twelve or 13-year-old boys were pushing out a boat, asking permission to row it. They were not able to do so. They may be able to row in future, but thanks to the lottery, not the Government. What satisfaction can those boys get from life? I am talking of a life that produces a sense of well-being within society and a sense of achievement. Many young people who look naturally for well-being and achievement will get them only from the artificial stimulation that is produced by drugs. My hon. Friend was right to draw attention to that.

On 6 July, when the Prime Minister replied to my right hon. Friend the Leader of the Opposition, he said:

"I confirm that, on a phased basis, I look for the introduction of nursery education for all four-year-olds and my right hon. Friend"—

the Secretary of State for Education and Employment—

"will announce this afternoon our plans and the phasing."

The Secretary of State made a statement a few moments later. She opened her statement by saying:

"With permission, Madam Speaker, I will make a statement about pre-school education."—[*Official Report*, 6 July 1995; Vol. 263, c. 512-17.]

We have not had a debate on that subject, although there has been comment in the press and throughout the country. It seems that there is confusion about, and non-recognition of, the major difference between nursery education as we know it and pre-school education. Apparently, the Prime Minister does not understand the distinction between the two. He talked about nursery education for all four-year-olds. The Secretary of State's statement was not about that. The plans are not about that. There are plans for vouchers for pre-school education, of which nursery education is a part.

Did the Prime Minister say what he did knowingly? I use "knowingly" with point because we shall later debate the Nolan report and the responsibility of Ministers. Did the Prime Minister knowingly say what he did when it is not true or was he misled by officials? I cannot believe

that he was misled. I cannot believe either that the Prime Minister did not know the difference between nursery education, as defined in current statute, and pre-school education, which includes play groups. I acknowledge that some play groups are extremely good, but the range of pre-school education is different from nursery education. Relatively few people throughout the country understand the difference.

I shall put on record one or two questions and answers, which I have tabled and obtained. They show that the Government are on a collision course with the public and themselves. I do not believe that they have thought out their plans. It is clear that the Secretary of State for Education and Employment is not keen. Some time ago, the Prime Minister poured cold water on the proposal for nursery education for all three and four-year-olds because of expense. I presented a petition on the issue on 19 November on behalf of 106,000 petitioners. They asked for nursery education to meet demand. I introduced a Bill on the subject on 18 September 1994. It was talked out by the hon. Member for Sutton and Cheam (Lady Olga Maitland), who later claimed that she did not know that she was destroying the Bill. All that it would have done was place a duty on local authorities to ascertain need.

Administration will be extremely difficult. Questions have been tabled to try to ascertain exactly what will happen. I received some answers yesterday. They are not yet in *Hansard* so I cannot provide a reference. I asked in what manner the Secretary of State for Education and Employment expects to advertise the terms of the contract for the firm that will run the vouchers. The answer was:

"I will reply as soon as possible".

It is clear that the Department does not know, or if it does know, it is not saying, despite having announced the scheme.

I also asked what steps the Secretary of State for Education and Employment

"expects to take to ensure that levels of staffing in existing local authority nursery schools will not be prejudiced by the establishment of new nursery schools by a provider offering improved remuneration".—[*Official Report*, 17 July 1995; Vol. 263, c. *978.*]

Clearly, there will be none.

Areas such as Newham, where 60 per cent. of young children go to nursery schools, will be prejudiced by the free market in qualified nursery teachers. Nursery schools in suburban areas will probably be able to offer more by virtue of the £1,000 which some people will be able to expect. A free or semi-free market in nursery education is being opened up which may prejudice areas of greatest need, such as the London borough of Newham.

I asked what number of the 74 bodies listed in a written answer some time ago had been consulted on the Government's plan. I was told:

"The . . . task force on under-fives wrote to the majority of the bodies listed on the day of the announcement requesting their views."

So, there is to be consultation, but it will not be very good because the proposals have been only half announced.

I asked what was to be the cost of administration of the voucher scheme in the next two years. The answer was:

"I will reply to the hon. Member as soon as possible".

I asked

"if there will be changes in the statutory instruments defining the qualifications of teachers in nursery schools and those relating to their premises."

One of the problems is how the Government will carry out their plans with the limited number of qualified teachers and premises which are statutorily defined as being capable of supporting genuine nursery education. I shall not read the whole answer but it is a classic for, "Yes, Minister". The reply stated:

"My right hon. Friend has no plans at this stage to impose any new qualification requirements for staff in any institutions which register to exchange vouchers for pre-school education."

A casual reading of that might suggest that there will be no change, but I emphasise the words

"has no plans at this stage to impose".

That does not mean to say that the requirements will not be relaxed, and I suspect that that is what will have to be done in order to achieve their objectives.

My last point on the matter, which will cause a great deal of trouble, relates to a series of three questions that were answered yesterday, after a fashion, about the logistics of premises. I have particular views about the regulations of the Department for Education and Employment relating to school premises. They are wholly inadequate, although I do not have time now to give examples to show why that is the case. It appears that there will be a review of all regulations relating to premises and equipment of schools registered to exchange vouchers for pre-school education. The reply says:

"In addition, my right hon. Friends the Secretary of State for Education and Employment and the Secretary of State for Wales announced on 14 July their intention to consult on a new set of school premises regulations. These regulations apply to all maintained schools, including maintained nursery schools. They will continue to do so."—[*Official Report*, 17 July 1995; Vol. 263, c. *977.*]

It did not have the honesty to point out that a written answer of 14 July sets out a change in all school regulations relating to premises. It is too long to read it all, but it says that it has been concluded that

"the regulatory burden placed on schools by the Education (School Premises) Regulations should be significantly reduced."—[*Official Report*, 14 July 1995; Vol. 263, c. *829.*]

So there will be a change not just in the regulations relating to nursery schools, which it is important should be maintained in order to provide the necessary environment in this prized and highly regarded area, but in the already inadequate regulations for schools. That was not made clear by the Secretary of State for Education and Employment. She referred in her statement last week to a change in the regulations, but she did not make it clear that that was what she had in mind.

At the moment, the Government are using the House of Commons less as a means of announcing their proposals and using the Order Paper and the procedure of the House and more as a means of ensuring that matters are not debated. My hon. Friend the Member for Leeds, Central (Mr. Fatchett) mentioned the future generations—children in nursery schools and youngsters wanting sporting facilities. Why is it that we are now to adjourn for two and a half months before both those crucial matters can be debated? It has been impossible to do so, an omission for which the Government are responsible.

12.25 pm

Mr. Tony Marlow (Northampton, North): We have had a great deal of debate and discussion on European policy within the Conservative party, but it would be wrong for the House to go into recess without the

[Mr. Tony Marlow]

Government, and my right hon. Friend the Leader of the House in particular, pointing out the appalling implications for the United Kingdom of the Labour party's European policy.

After all, as we know, the matter has been resolved in the Conservative party. We now have a policy with which we in the party and the country can be totally at ease. We are winning the arguments in Europe. We will be able to maintain, because the Prime Minister said so, our immigration controls. We will not agree to any further increase in qualified majority voting as the intergovernmental conference progresses. The United Kingdom will not agree to any deepening in Europe. As we are winning the arguments, we will be gaining more control over our affairs through subsidiarity. Things are moving our way.

My hon. Friend the Member for Southend, East (Sir T. Taylor) looks a little concerned, but I can promise him that in an election within the Conservative party a fortnight ago, 89 of our colleagues, including, no doubt, my hon. Friend and I, voted for a programme and a platform which said that Britain will not have a single currency and for the fact that we will not bring before the House any measures to give more powers to any European institutions.

Mr. Tony Banks (Newham, North-West): You lost.

Mr. Marlow: The hon. Gentleman says that we lost the vote, but 89 people voted for that platform. It is inconceivable that this Conservative Government, let alone the next Conservative Government, when many of the positive Europeans will have retired and the people coming in will have come in on a Thatcherite bandwagon, will bring any of these measure before the House. That is fact. That is given. We are secure. No Conservative Government will deepen Europe or introduce any measures to bring about a single currency. They would not do it. It would not work. It would not succeed. They would not have a majority.

The first thing that the Labour party would do would be to embrace the social chapter. What does that mean? Any good employer will want to ensure that his people are well looked after, but to do that he needs a succesful and thriving business. He must be competitive. Anyone who embraces the social chapter will have to embrace the on-costs, the paraphernalia of all the other European countries who will want to stuff it down the throats of our industries to make our industries as uncompetitive as theirs are becoming. Not only will we have bad employment practices and bad employers, but we will lose a great many jobs.

Mr. Banks: Like the Germans.

Mr. Marlow: The hon. Gentleman cannot resist his asides. Germany is yesterday's story. It is the United Kingdom that will be today's and tomorrow's story.

The next point that the Opposition want to embrace is the single currency—a single currency in Europe with all those diverse economies, with the same interest rates, with the same inevitable levels of taxation, socialist bureaucratic levels of taxation, high levels of taxation. The people who motivate European policy are motivated by schemes and plans and by building up their own empire. We cannot afford that. Let the rest of Europe crucify itself with a single currency and with high levels of public expenditure. Let us be clean and distinct and apart. Let us have the strong currency of Europe while others have the weak one. Let us have the Japanese—Nikko Europe and others—investing in Britain rather than in the rest of Europe because they feel that Britain will be more competitive outside the single currency.

I should like to make one further point about the desperate implications of the Labour party's European policy. Agriculture is controlled by Europe; trade is controlled by Europe; little things, like the quality of our water, are controlled by Europe; our weights and measures are controlled by Europe. The Labour party wants our money to be controlled by Europe. Everything will be controlled by Europe.

The Opposition want a policy for devolution, with more powers going to Scotland and Wales. They have power, if they are given more power, they will seek more power and the remainder of the power will lie with Europe. What is the point of Westminster? Do the Opposition want to break up the United Kingdom? That is what they will do.

I should be grateful if, before the recess, my right hon. Friend the Leader of the House explained loud and clear the devastating implications of the Labour party's policy on Europe for the United Kingdom.

12.30 pm

Mr. Alan Simpson (Nottingham, South): There are two subjects that the House should consider before the recess. I understand hon. Members' concerns about Bosnia, but one of my constituents, a student called Paul Wells, is currently one of the hostages in Kashmir. I should have thought that it was inappropriate for the House to depart for the summer recess without even a statement about the current state of negotiations on the release of those hostages.

The main issue that I want to raise today, however, is Motability. It is a remarkable organisation, for which I have nothing but praise. It is a registered charity that brings mobility to disabled people. The Queen was recently able to hand over the 500,000th vehicle to a disabled person, due to funding for this scheme through the Department of Social Security. Motability is a truly wonderful charity.

I cannot say the same about the system of financing that exists behind the scenes at Motability. There is an important distinction to be drawn between Motability the charity and Motability Finance Ltd. I am greatly concerned about a series of reports that have been percolating out to the public and press of late about serious wrongdoings in the structure of financing through which Motability Finance Ltd. delivers vehicles to disabled people.

I shall put the matter in context. The charity Motability has a turnover of about £3 million a year. But the supplier of finance, Motability Finance Ltd., has a turnover of £375 million a year. Motability Finance Ltd. is not a charity; it is a private company. It is set up as a partnership of six main banks. It is a profit-making business, which now has assets in excess of £1 billion. It also has access to £1.5 billion-worth of credit each year from the six banks which are the partners in MFL.

On 15 June this year, in the other place, Lord Carter raised a number of his concerns about what was happening in Motability Finance Ltd. He said:

"the Government pay Motability Finance Ltd . . . £360 million of disabled people's social security benefits. Motability Finance Ltd. is the only lender in the world to have no bad debts. The money is guaranteed by the Government because it is a social security benefit which is paid over. Yet the rates of interest it charges disabled people and its car leasing arrangements are not that advantageous."

That is my first concern.

Lord Carter illustrated some of the concerns that had been raised with him. He said:

"I understand that over the years a number of officials"—[*Official Report, House of Lords*, 15 June 1995; Vol. 564, c. 1931.]

Madam Deputy Speaker: Order. I am sorry to interrupt the hon. Gentleman, but there is a rule in this place against quoting from a Member speaking in the other place, unless he or she is a Minister in the current Session.

Mr. Simpson: Thank you, Madam Deputy Speaker.

Lord Carter referred to a number of acts of minor fraud that worried him, and should also worry the House. The essence of the matter is the returns required by the major banks that are participants and partners in the Motability Finance scheme.

The simplest thing is for me to quote from a report drawn up by accountants KPMG on the financing of MFL. The concluding paragraph states:

"We have carried out a comparison with the Return on Capital . . . which would be earned in a typical lease to that which is earned in practice by the partners and other leasing companies . . . The typical lease scenario envisages a ROC of 14.6 per cent. The average ROC of a number of leasing companies for 1992 was 13.1 per cent. However a Motability lease gives a ROC of 30.9 per cent., substantially higher than that generated by a typical lease or that earned by other companies."

We are talking, then, about a private cartel of six major banks, headed by someone who is also involved as the chairman of Motability. The cartel is mackerel fishing for money from public funds that properly belongs to disabled people. The rate of return required for no-risk access to that finance is almost twice that in the private market.

A report was also commissioned by the DSS about the goings-on inside Motability Finance Ltd. The catalogue of events that have taken place have seen a large number of Motability staff leave in recent years. Last October, the assistant director, Mr. Robin Taylor, left. The following January, the then director, Mr. Simon Willis, who had been seconded from the DSS, had his services withdrawn at two weeks' notice. The following March, the finance director, Mr. Graham Moss, left, and now the fund-raising director has decided to leave.

Many of the departures revolved around conflicts with the chairman of Motability, Lord Sterling of Plaistow, who is perhaps better known, not only as the chairman of P and O, but as a generous benefactor to the party in government.

The most damning matter that the House needs to address urgently concerns a report commissioned by, I think, the DSS, called the Bircham report. It details the serious improprieties that exist within MFL. I shall give two quotations from the report, which should form the basis on which the House should take urgent action.

Paragraphs 9 and 10 of the report state:

"KPMG, of which Mr. Acher is the senior audit partner, are auditors to the National Westminster Bank Group, including Lombard Finance, which participates in the Motability scheme, the Midland Group, including Forward Trust, which similarly participates in the scheme and P and O, of which the Chairman of Motability, Lord Sterling, is also Chairman. At the same time the Chairman of MFL (Mr. Brian Carte) is . . . both a governor of Motability and a director of Lombard Finance.

Save for out-of-pocket expenses, Motability's Royal Charter of Incorporation prohibits the payment of salary, fees or other remuneration to any governor under clause 4. Mr. Gerald Acher is both governor and Vice-Chairman of Motability on the one hand and a senior equity partner in KPMG on the other. Since he became a governor, KPMG have been paid substantial fees by Motability for professional services rendered, a share of which must pass to or otherwise benefit Mr. Acher in some form. In these circumstances Mr. Acher must account to Motability as a constructive trustee of the gross fees paid to KPMG under the self dealing rule."

The Bircham report details conflicts of interest, improprieties of action and a serious overcharging of the disabled by a banking cartel that is simply fishing money at no risk out of the pockets of disabled people, out of the purse specifically provided by the House to allow disabled people to be mobile around the country.

The House must demand a public examination of the financial structure of Motability Finance Ltd. We need to have a debate on the Bircham report in its entirety. I shall place a full copy of the Bircham report in the Library after the debate. We must demand that the DSS conducts its own root-and-branch overhaul of MFL to ensure that disabled people receive the fairest deal for their, or our, money that goes into the scheme. We must not allow a sleazy bunch of bankers and benefactors to make themselves a fast buck through a no-risk, monopolistic scam, perpetrated on the backs of the public and the disabled—and we need to do that overhaul urgently.

12.39 pm

Mrs. Ann Taylor (Dewsbury): It is useful to have debates of this kind. The changes to which my hon. Friend the Member for Newham, South (Mr. Spearing) referred have not been unanimously welcomed in the House. However, they have been helpful overall, especially for Back Benchers, as this morning's debate demonstrates.

I am always reluctant to disagree with my hon. Friend on matters of procedure, but I must say that some of the procedures which were changed by Jopling and about which he complained have fallen into disuse and become difficult to defend. They fell into disuse not least because newer Members had not been as assiduous in mastering the procedures as my hon. Friend. The Jopling changes of which he complained have been helpful to the majority of hon. Members.

It is not always possible for every hon. Member to attend on Wednesday mornings. Rather unusually, I should like to mention to the Leader of the House one colleague who could not be here—my hon. Friend the Member for Feltham and Heston (Mr. Keen). He lost an Adjournment debate on Monday through no fault of his own, but he had told the Minister exactly what issues he wanted to raise. I think that he gave the Minister a copy of his speech, which was on European co-operation. I hope that the Leader of the House will accept my hon. Friend's apology for not being here this morning, and will be able to arrange for the Minister to give my hon. Friend the reply that he would have had if he had been here.

Obviously, we cannot deal in detail with all the issues that have been raised, some of which will be the subjects for the debate later today on Bosnia. This morning's debates were unusual because so many Conservative Members spoke about internal Conservative party matters.

[Mrs. Ann Taylor]

Perhaps, in view of what has happened in recent months, that should not surprise us. The hon. Member for Taunton (Mr. Nicholson) invited us to sympathise with his comments about how the press has treated his party in recent weeks. At last he now knows how it feels, because we have been subjected to that kind of treatment for many years. It was interesting to see the tables turned.

These debates are always useful for hon. Members who wish to raise constituency matters, as did the hon. Member for Cornwall, South-East (Mr. Hicks), and not for the first time, as he pointed out. My hon. Friend the Member for City of Durham (Mr. Steinberg) raised some serious matters about his constituents, who must feel very insecure because the basic services provided by general practitioners are threatened in the way that my hon. Friend described. I hope that Ministers have taken his concerns on board, and that the Leader of the House will make sure that they are followed up.

The hon. Member for Teignmouth (Mr. Nicholls) spoke about the concerns of his constituents following water privatisation. I am sorry that the hon. Gentleman is not in his place. When the Bill for water privatisation was going through the House, many of us suggested that prices would go through the roof and that the salaries of directors would be increased to ridiculous levels. The hon. Gentleman complained that a monopoly utility was allowing one of its executives to have a salary increase of £67,000, but such suggestions were described as scaremongering when we complained about water privatisation.

In such debates, some matters are raised which could be described as regular. Not for the first time hon. Members such as the hon. Member for Southend, East (Sir T. Taylor) raised the issue of European Union policy, and especially the common agricultural policy. I agree with many of the concerns expressed by the hon. Member for Southend, East about the CAP. The slowness in moving to reform must concern hon. Members in all parts of the House. The speech by the hon. Member for Northampton, North (Mr. Marlow) was somewhat unusual, in that the hon. Gentleman attacked Labour party policy on the EU rather than that of his own party. Perhaps we should put that aside this morning.

My hon. Friend the Member for Tooting (Mr. Cox) again spoke about the Latham report. Perhaps the Leader of the House will be able to respond to my hon. Friend's information about the construction industry's agreement to the proposals.

The hon. Member for Roxburgh and Berwickshire (Mr. Kirkwood) spoke about local government settlements, a topic that has been mentioned on other occasions. He was right to acknowledge the need to take account of such vital issues as family holidays when the Procedure Committee considers when the House should sit. Perhaps I will not be popular with all my colleagues when I say that I told the Procedure Committee a few days ago that there was scope for considering whether the House should sit for some weeks in September as a means of keeping us in touch with what is happening and avoiding such long gaps between our activities.

My hon. Friend the Member for Newham, South raised some topical issues about the need for a debate on sport. I raised that with the Leader of the House during business questions yesterday, and I hope that the right hon. Gentleman will be able to tell us when it might be possible to have such a debate. I entirely agree with my hon. Friend's every word about nursery education. When he was speaking about that, I thought of the earlier speech by my hon. Friend the Member for Merthyr Tydfil and Rhymney (Mr. Rowlands), whose constituency I have visited.

I agree with my hon. Friend the Member for Merthyr Tydfil and Rhymney about jobs and development. People in his area are working hard to attract development, and perhaps some of them feel that they are running hard just to stand still, because of all the factors that are stacked against them. My hon. Friend's remarks coincided with what my hon. Friend the Member for Leeds, Central (Mr. Fatchett) said. He highlighted one of the main concerns of all of us about the future of young people and what is happening in our constituencies. It was in my hon. Friend's constituency that riots took place, but we are all aware that they could have taken place in many other areas.

The comments of my hon. Friend the Member for Leeds, Central about the problems of young people and those of unemployment, deprivation generally and deprivation being side by side with affluence, and many young people feeling that they have no stake in society, must be extremely worrying to us all. If young people have no hope, no expectations and no aspirations, the future is bleak, not just for them and their families, but for society as a whole. That is because we are all threatened by such lack of hope, and by youngsters who can turn to crime. As my hon. Friend said, unfortunately they often turn to drugs. In political terms, if they turned to anything, they would probably turn to some form of extremism. My hon. Friend was right to remind the House and the Government of those dangers.

I was reminded of the comments of my hon. Friend the Member for Leeds, Central during the speech of my hon. Friend the Member for Newham, South, because there is clearly a link between nursery education and aspirations and achievements later in life. There is overwhelming evidence that the best action we can take for our young people is to give them the best possible start by investing in nursery education.

The evidence shows that, if we spend more on nursery education, we shall get a return for the money, because there will be less crime, young people will grow up with more opportunities, and there will be fewer teenage pregnancies. Those are all direct benefits.

I wish I could say that the recent Government initiative on nursery education will provide, as the Prime Minister has promised, nursery education for all four-year-olds. In itself, that is not good enough, because our three-year-olds should also be entitled to it. I fear that the voucher scheme will be a third-rate imitation of a proper comprehensive policy for nursery education for all three and four-year-olds whose parents want them to have it.

I hope that the Leader of the House will be able to respond in detail to some of the important points that have been raised. It is useful to have such debates, and I hope that we will continue to provide opportunities for hon. Members to raise issues in this way, because that is valuable to our constituents and to the House.

12.50 pm

The Lord President of the Council and Leader of the House of Commons (Mr. Tony Newton): I note that the hon. Member for Dewsbury (Mrs. Taylor) expressed

the hope that I would be able to respond in detail, in 10 minutes, to 14 speeches—15, including her own—on a wide range of matters. I must tell her that that would be a triumph of hope over experience, and over practicality. I shall do my best. I shall, of course, consider what the hon. Lady said about her hon. Friend the Member for Feltham and Heston (Mr. Keen). Given the circumstances that she described, I shall see whether I can get him a written reply from a Minister.

Although I cannot speak for the hon. Lady, I suspect that she would agree with me that this debate is one of the pleasures of the job of Leader of the House. I learn an enormous amount in a short time. I am provided with endless briefing notes, which I digest, I hope, at least to some degree, in the relatively short time available. I am offered a guided tour around the United Kingdom.

As the hon. Member for Merthyr Tydfil and Rhymney (Mr. Rowlands) said to me informally outside the Chamber—I hope that he will not mind me repeating it—today we travelled from Liskeard, to Kelso, by way of Merthyr Tydfil. That is surely a testament to the flexibility and efficiency of the Government's transport policies.

We have heard wide-ranging and entertaining speeches from everyone, but some speeches have been wider ranging than others, in particular those of my hon. Friends the Members for Portsmouth, South (Mr. Martin), for Southend, East (Sir T. Taylor) and for Taunton (Mr. Nicholson). I am sure that they would not expect me to range as widely as they did over the policies of the Government towards the world in general and Europe in particular.

I particularly agreed with my hon. Friend the Member for Portsmouth, South about the current policy vacuum in the Labour party, which certainly was not filled this morning. My hon. Friend the Member for Northampton, North (Mr. Marlow) made an impressive speech about one definite part of the Opposition's current policy. I think that I would be right to say that it was probably his most helpful speech in many years. He drew attention to the dangers of the Labour party policies towards the European Union, and I wholeheartedly agreed with his every word.

Mr. Kirkwood: Give him a job.

Mr. Newton: My powers do not extend that far, but they extend to giving him the encouragement to make frequent speeches along those lines.

I shall make necessarily brief comments on some of the specific points raised. My hon. Friend the Member for Cornwall, South-East (Mr. Hicks) raised important points about Liskeard junior school in his constituency. I shall certainly draw his remarks to the attention of my right hon. and hon. Friends.

My hon. Friend also asked me to encourage one of my hon. Friends, who has been most recently appointed to the Front Bench, my hon. Friend the Member for Chesham and Amersham (Mrs. Gillan), to visit that school at some stage this year. I have received a characteristically cautious briefing note from the Department of Education, which states:

"Ministers of course do receive a very large number of invitations to visit schools and simply cannot accept them all. I am sure, however, that my hon. Friend would be willing to consider a visit if that could be fitted into a wider programme."

I hope that that gives at least some modest encouragement to my hon. Friend. I shall also have a more informal word with the Under-Secretary of State for Education and Employment to draw her attention to what he said.

The hon. Member for City of Durham (Mr. Steinberg) raised a important and difficult problem, which he would not expect me to answer in detail, about family practitioner services in part of his constituency. He acknowledged, as I have been told, that County Durham health commission is taking urgent steps to help residents in the Coxhoe area to identify alternative doctors, and has set up two help-lines for patients to ring. The hon. Gentleman also made it clear, however, that the problem required further examination. I shall bring it to the attention of my right hon. Friend the Secretary of State for Health.

My hon. Friend the Member for Southend, East made a wide-ranging speech, but he also referred to a matter of considerable importance to my constituency and subject to many protests from my constituents—the policies of Essex county council, under Labour-Liberal control, towards transport to selective schools that still exist in Essex. My hon. Friend said that his children went to those schools, so perhaps I should declare a past interest in that both my daughters went to Chelmsford county high school for girls, which will subject to the same problem.

I share the concern that my hon. Friend has expressed about the effect on less well-off able children in the county. I hope that the people of Shoeburyness, to whom he referred, will make their views clear in the by-election that will take place, tomorrow, 20 July, for a county council seat.

The hon. Members for Leeds, Central (Mr. Fatchett) and for Merthyr Tydfil and Rhymney made impressive speeches about their areas. The speech of the hon. Member for Leeds, Central was one of the best that I have heard in Adjournment debates for a long time. He will know that I, too, am concerned about drugs. I have worked with the chief constable of West Yorkshire, Keith Hellawell, on producing a new Government strategy on drugs, "Tackling Drugs Together". That places greater emphasis than in the past on prevention and education. I certainly hope that it reflects some of the thoughts that the hon. Gentleman expressed.

My hon. Friend the Member for Halesowen and Stourbridge (Mr. Hawksley) gave me notice that he intended to raise a complex problem. He made some important points. I understand that, alongside the correspondence he has had with previous Transport Ministers, my right hon. Friend the Secretary of State for Transport has written to him this week on that very subject. I understand that my hon. Friend has not yet received that letter, but I assure him that it is on its way, and I hope that it will be helpful to him.

The hon. Member for Roxburgh and Berwickshire (Mr. Kirkwood) spoke about a problem in a pleasing town in his constituency, Kelso, where I had the pleasure to holiday a few years ago. On that occasion, I ran into the former leader of the Liberal Democrats. I note the points that the hon. Gentleman has made, but I am sure that he would not expect an off-the-cuff answer from me. I shall make sure that his remarks are drawn to the attention of Scottish Office Ministers.

I assure my hon. Friend the Member for Teignbridge (Mr. Nicholls) that I shall draw to the attention of my right hon. and hon. Friends the fact that a west country

[Mr. Newton]

Member has yet again raised the water industry, which is significant and important to his constituents. I hope that my hon. Friend was encouraged by the Government's response to the Greenbury report.

My hon. Friend will be aware that the Director General of Water Services has set new and tighter price limits for South West Water, which have been referred to the Monopolies and Mergers Commission at the company's request. We have to await the outcome of the commission's determination of price limits for South West Water. The problems to which my hon. Friend referred are being considered.

I may have inadvertently encouraged the hon. Member for Tooting (Mr. Cox) to take part in the debate, because I reminded him of it when I bumped into him in the Corridor yesterday. He duly took up that invitation, and spoke about the Latham report. He will be aware that, in the past few weeks, I have regularly made what I have described as sympathetic noises from the Dispatch Box about relevant legislation. I cannot anticipate the Queen's Speech, but, as I said to someone last Thursday, the hon. Gentleman can take my comments as a sympathetic noise.

I think that I have come close to running out of time, so I dare not embark on commenting on any other speech. I have noted the points made by the hon. Member for Newham, South (Mr. Spearing). If any other speech remains unmentioned, or if any hon. Member is dissatisfied, I shall make efforts to remedy that in some way.

Meanwhile, I hope that I have given universal pleasure and have caused universal enthusiasm by creating a position in which, later today or early tomorrow, all being well, hon. Members on both sides of the House will be able to enjoy a short break from the duties that they have so assiduously pursued on behalf of their constituents this morning.

French Nuclear Testing

1 pm

Mr. Dennis Skinner (Bolsover): A week last Monday, Madam Speaker was in the Chair when a few hon. Members raised points of order about the French nuclear testing proposed for September and about the seizure of the Greenpeace ship, which had happened the previous day. Madam Speaker was kind enough to say that, if Lady Luck smiled on me or perhaps another of those hon. Members, we might have an Adjournment debate. Had it not been this particular Wednesday, when three hours have been devoted to discussing the summer Adjournment, we might have had an hour-and-a-half debate, and many of my colleagues would have been able to speak.

I hesitated before applying for this debate, because I was not that sure that it was the sort of subject with which I could deal. I used to be a big mate of Bob Cryer, and I realised that if he had been here, he would have got to the Chair faster than me. It was his subject—he knew about nuclear weapons and nuclear testing better than anyone else in the House. He had spent 20 or 30 years of his life travelling around Britain speaking to thousands of people. I hope that my comments will accord with his beliefs, although I shall not be able to give them quite the same treatment.

On the day that I asked for this debate, I and some of my hon. Friends had been to a hastily arranged wreath-laying ceremony at the French embassy. Apart from the fact that all Labour Members are hostile to French nuclear testing and the seizure of the Greenpeace ship, I detected among the demonstrators the feeling that the vast majority of British people abhor the idea of the French going to the south Pacific, doing as they like and attacking a Greenpeace ship—which, in many ways, was standing up not just for the people of New Zealand, Australia and other parts of the south Pacific, but for the people of Britain.

I am staggered by the fact that this House has not debated the French decision to resume nuclear testing. A mere half hour is hardly adequate to deal with the issue. I can only assume that, when the Prime Minister met Mr. Chirac at Cannes—a summit meeting that he reported on to the House—he gave Chirac the nod and the wink to do as he liked. Indeed, he confirmed that in an answer to a parliamentary question last week, when he was asked, deliberately and directly, why he would not join those protesting against French nuclear testing. He said that under no circumstances would he do that.

That does not excuse the fact that we have not had a debate—

Sir Teddy Taylor (Southend, East): Perhaps the hon. Gentleman should ask his Front Bench why not.

Mr. Skinner: I accept that. There should have been a debate.

There was a debate on a similar occasion—although not as dramatic as this—on 2 July 1973. My hon. Friend the Member for Linlithgow (Mr. Dalyell)—who might get two minutes in this debate if I hurry—spoke from the Front Bench.

Can anybody believe the change that has taken place since then? My hon. Friend was actually on the Labour Front Bench when 266 Labour Members of Parliament

went into the Lobby on a three-line whip. My hon. Friend forced Jeffrey Archer, as he then was, to say that, if there was a vote on the Labour motion, he would join us. In fact, he did not, but that is another story. I read his speech, which was very clever and typical Jeffrey—now Lord—Archer.

The important point was that we had a debate, and we protested to the French. We cannot have a proper debate before the recess, so I call upon my right hon. Friend the Leader of the Opposition, together with other members of the shadow Cabinet, to send a letter of protest to Chirac, making it plain where we stand. I would have said that at the parliamentary Labour party meeting if I had had the chance.

I know that many of my hon. Friends want to speak, and I shall try to accommodate them, but it will not be easy.

The problem is the colonialist mentality. When I went to school, Britain used to have lots of pink pieces on the map. The French had some, but not as many as us. There was an idea that the south Pacific could be picked out, as it was by Britain and then by France, and that we could do our bit among the Polynesians. It is all about old-fashioned imperialism and the colonialist mentality. The French cannot do it in their own backyard.

During that debate in July 1973, some of my colleagues—who are still Members—said, "Why can't they drop it in the bay of Biscay?" Charles Loughlin said, "What about the English channel?" I thought that that was getting a bit too close. What I am trying to show is that, 22 years ago, people were determined—

Mr. Jeremy Corbyn (Islington, North): Is my hon. Friend aware that it is only 10 years since French Government agents murdered members of the Rainbow Warrior crew? It is a disgrace that, when they returned to France, those agents were given orders of merit by the French Government. Will my hon. Friend join me in calling for the maximum protest possible outside every French embassy between now and September, and for a boycott of all French products, to force the French to stop these monstrous tests?

Mr. Skinner: I am absolutely in favour of doing so; indeed, it is what I was doing last Monday. I said then that, had it not been for what the mining industry calls a basket Monday, just before a holiday, some other Members of Parliament would have been at the demonstration. Had it been a Tuesday, another 20 or 30 of them would have been there. Many hon. Members travel to the House on a Monday.

When we debated the issue of the common market in 1971, we were told, "Don't worry, we'll look after the Commonwealth. New Zealand, Canada and Australia will be looked after. The common market will not affect that." It has.

When the Prime Minister gave the nod and the wink to Chirac and turned his back on New Zealand, Australia and the other areas in the south Pacific, he was showing that despite the protests from the Tory Government, he has more in common with Chirac, the right-wing President of France, and with the Common Market than he has with the old-fashioned Commonwealth. I have reason to believe that Jim Bolger—not a friend of mine, but the Prime Minister of New Zealand—has written to our Prime Minister in protest. The Minister has a duty to tell us the Prime Minister's answer.

Nuclear proliferation is a problem. For a long time, certainly since the collapse of the Berlin wall, many people have said that we can all live happily ever after. I have never accepted that naive, innocent view of life. The net result is that countries such as Iraq, Iran, Pakistan, North Korea, Israel and China are developing nuclear weapons.

We in the Labour party, and many others across the world, have been telling them not to develop nuclear weapons because we are moving into a new era and trying to stop nuclear proliferation. As part of that, we said, Britain and America were not going to carry out tests. That was our argument, but it will break down.

Iraq and the other countries will be emboldened by the fact that nobody cares tuppence what the French are doing down in the south Pacific, and will say, "Anything goes; we can have some, too." The world will become a lot more dangerous. Someone said to me—I had better be careful how I choose my words—that there could be an Islamic fundamentalist nuclear bomb. It certainly makes one wonder.

The French argue that they are not doing much, anyway. They say that they are merely engaged in a bit of extra testing, but nothing new. The information that some of us have received—it might be revealed a little later by one or two colleagues—is that the French are up to something else. It is said that they are going to develop a new type of nuclear warhead, and that at least one of the proposed tests is dedicated to that. I was going to read out some comments about that, but I do not have the time.

We were all very worried about Chernobyl and the radiation that spread for several hundred miles across many countries. How do we know that the ocean currents are not roughly the same as the air currents? Will the results of the nuclear tests be as dramatic as the effects of Chernobyl? I do not know, but it crosses my mind that it is quite feasible that the radiation in the south Pacific will in some way affect the food chain and contaminate some species. It is a major problem for all of us.

Many years ago, when Mrs. Thatcher came back from an environmental conference in Rio, I explained to her that the environment was a socialist issue. Not all green issues can be dealt with by market forces, and no individual can resolve the problem. The solution must be collective action, not only in the common market but throughout the world. It is a world problem, which means people banding together to solve it. When she went on about the hole in the ozone layer, I told her that she would not patch it up with a man, a bike, a ladder and an enterprise allowance, but that the solution had to involve the will of literally millions of people banding together.

It is therefore a matter for us; it will be a matter for new Labour, with all the added ingredients. It will have to deal with the problem, so it might as well get used to it. I hope that, at the conference on Hayman Island, my right hon. Friend the Leader of the Opposition listened to the people of Australia and New Zealand, and took note of what they said. I hope that many people bent his ear as they said, "G'day, Blue." What should we do now? I have suggested what the Labour party and the Labour leader should do, and I do so in all friendliness.

Millions of people in Britain who are not necessarily Labour supporters agree with us. All the people in the animal lobby are not protesting only on behalf little furry creatures. The fact is that there is now a new level of understanding about the food chain, the environment and

[Mr. Skinner]

animal life in general; people's interest goes beyond simply saving a few creatures. They can see what is happening. I call on the Government, even at this late stage, to protest before 1 September, and to have the guts to tell Chirac what the British people really feel.

There should be an independent health inquiry into the population in the south Pacific. The least we can do is ensure that such an inquiry is held to monitor the effects of the proposed tests and those that have taken place, because the people we met in a Committee Room upstairs feel that they are on their own.

I support Greenpeace and what it did in trying to sail its ship into the area. The members of Greenpeace were brave. We saw some similarly brave people last Friday—disabled people in wheelchairs, who parked themselves in front of moving buses. Greenpeace did the same sort of thing.

There are some things that we remember for ever. I can still hear the voice of Stephanie Mills, the lass from New Zealand, on the Greenpeace ship a week last Sunday, squealing in passion, hoping that someone could hear her as the French moved in with tear gas and commandeered the Rainbow Warrior. That powerful voice should have registered with everyone in the Labour party. It is high time the Government understood what is needed. Let us stop the tests now, and take steps to save the planet, not destroy it.

1.15 pm

Mr. Tam Dalyell (Linlithgow): I am grateful to my hon. Friend the Member for Bolsover (Mr. Skinner) for allowing me to ask three technical questions of which I have given notice to the Foreign Office.

The first concerns coral reefs. The French spokesman said that not one fish would be harmed by the tests. That is not true—one coral reef at least will be destroyed. Has the Foreign Office been in touch with Ghillean Prance of Kew, who has substantial evidence that it is the nature of coral reefs to fertilise one another at a distance of 200 miles or more? Are we not creating mayhem in a specific part of the south Pacific? The effect of the destruction of coral reefs on fish stocks is important and must be borne in mind. Has the Foreign Office a technical opinion on what could happen?

Secondly, may I repeat a question that I asked on 2 July 1973 on behalf of the official Opposition. I said:

"Does the right hon. Gentleman"—

I was speaking to Julian Amery—

"deny the presence of strontium 90, and does he further deny the connection between strontium 90 and bone cancer and leukaemia? Does the right hon. Gentleman deny the presence of caesium 137, which has a longish half-life of 30 years, and does he further deny the connection between caesium 137 and many forms of cancer, a connection which has been proved by work which has been undertaken by scientists in Hiroshima and Nagasaki? Does he deny the presence of iodine 131 and its attendant dangers to the thyroid gland? "—[*Official Report*, 2 July 1973; Vol. 859, c. 48.]

My final question relates to an assertion made in *The Guardian* on 11 July under the byline of Tim Radford and David Fairhall. They said:

"In one notorious episode, a nuclear device jammed halfway down the shaft, and had to be detonated prematurely. This is believed to have opened up fissures in the basalt, and caused submarine landslides. In another episode, a typhoon tore across the atoll and ripped away a bituminous seal that had been covering irradiated spoil. A large area was contaminated with plutonium and other radionuclides."

Is that true? If so, things could go tragically wrong again, with disastrous ecological effects.

1.19 pm

Mr. Frank Cook (Stockton, North): I compliment my hon. Friend the Member for Bolsover (Mr. Skinner) not only on securing the debate but on the manner in which he opened it.

I want to report to the House that, when he was requesting the debate, I was representing the House in Ottawa at the plenary session of the parliamentary assembly of the Organisation for Security and Co-operation in Europe. At the end of the week, the plenary session considered its declaration. It goes through it paragraph by paragraph to ensure that it has got it right. When it got to the paragraph that had been hard fought in the security committee and which condemned the French decision to resume nuclear testing and the French reaction to the Rainbow Warrior, the French naturally opposed it.

The OSCE parliamentary assembly is made up of 52 nations, plus the Holy See. There were almost 1,000 delegates there. The only delegates who supported the French in the objection were some of the UK delegation. Yet when the full declaration was put to the full assembly, the UK declaration voted to a man along with it to condemn the action, and it was carried nem. con.

If the Government need some backbone, all they need to do is look to their colleagues in the OSCE, including America, Canada—indeed, every nation there—which condemned the French decision and action in relation to the Rainbow Warrior. I hope that the Government, and our Opposition in response to the plea of my hon. Friend the Member for Bolsover, show the same backbone.

The French in the past have been very dismissive of health effects. Their memorable line is:

"You do not consult the frogs when you are draining the swamp."

If anybody were as dismissive as that and agreed with such dismissiveness, I would point them in the direction of the work done by Dr. Sister Rosalie Bertell, who conducted a major health survey, very much in line with that called for by my hon. Friend, which proved beyond all doubt that a serious genetic impairment resulted not only from the previous tests of the French, but from our previous tests and America's previous tests. Such impairment goes on for generation after generation, it affects the seed stock of the whole of humankind, and it can never be put right.

If we believe anything at all, we should do our utmost to bear properly the responsibility that God has given us. The world has been entrusted to us. In their decision, the French are betraying that trust.

1.21 pm

The Minister of State, Foreign and Commonwealth Office (Mr. David Davis): I congratulate the hon. Member for Bolsover (Mr. Skinner) on obtaining this debate. His new-found interest in defence matters is welcome. He is no doubt responding to Bob Cryer's interest in it in the past. I welcome, too, the apparent broadening of his horizons to such distant climes as the south Pacific. Unfortunately, I do not welcome the thrust of his speech. It was remarkable, if unsurprising, for three

reasons. Where we needed logic, we got populism; where we needed analysis, we got invective; and where we needed facts, we got hyperbole.

I shall deal first with the incident that the hon. Gentleman led on, in which the French forces boarded the Greenpeace ship the Rainbow Warrior II on 9 July. With respect, the hon. Gentleman, not for the first time, missed several points. First and foremost, he referred in his familiarly colourful manner to an incident in which the French Government acted entirely within their rights in French territorial waters. The hon. Gentleman too, of course, is within his rights in raising the matter, but it is another matter to suggest that the British Government are somehow guilty of some outrageous crime just because we have refused to join the Greenpeace-led chorus of disapproval.

I make the point again quite clearly: we support the French Government in their right to defend sites of national security importance in their territorial waters. I think that the House would prefer me to enunciate a policy which is rather more responsible than the arguments that we have just heard, and I shall talk about that in some detail.

I remind the House of the facts of the incident, as we understand them. The boarding took place not only in French territorial waters, but in a 12-mile exclusion zone which the French Government had declared, as is their right under international law. The captain and crew of Rainbow Warrior II had been warned not to enter the exclusion zone, and that the French authorities would if necessary enforce the exclusion zone. Rainbow Warrior II none the less entered the exclusion zone in defiance of that order. The French authorities then took action to enforce the exclusion zone.

We have seen no evidence to suggest that the French actions were illegal. The press and the hon. Gentleman have made much of the alleged French heavy-handedness. He must address any detail questions on that to the French authorities; it is not for me to answer. However, so that the House is not misled and hon. Members do not think that the French authorities committed great atrocities on 9 July, I should make quite clear what happened and what did not happen.

From the information that I have, I understand that no injuries resulted from the boarding of the Rainbow Warrior II, and there were no injuries to the British people present on the ship. The ship and her crew have now left the Mururoa atoll. I, for one, certainly hope that they do not seek to return.

I turn to the difficult and very real issue that we have to face up to: nuclear testing. We have not criticised the French decision, and I do not intend to start now, but I shall explain to the hon. Gentleman, and any others of his persuasion, the position that we have taken and why we believe that it was right to take it. In doing so, I shall deal with some of the points raised by the hon. Member for Linlithgow (Mr. Dalyell).

It might be helpful first to remind hon. Members of some further facts, particularly what President Chirac said when he announced France's decision to resume testing. On 13 June, President Chirac stated that France would undertake a final series of no more than eight nuclear tests at Mururoa, between September 1995 and May 1996 at the latest.

Mr. Llew Smith (Blaenau Gwent): Will the Minister give way?

Mr. Davis: I am afraid not. I do not have much time to conclude my remarks.

Importantly, President Chirac confirmed France's commitment to the conclusion of a comprehensive nuclear test ban treaty by the autumn of 1996—*[Laughter.]*—and France's intention to sign such a treaty once concluded. The laughter from the Labour Members sitting below the Gangway shows how seriously they are taking this matter, as against their rhetoric on it.

First and foremost, President Chirac made it clear that he took the decision because he considered that France's national security needs could not be met in any other way. I do not believe that it is for us to seek to second-guess his judgment on this. National security—our own and that of our allies—means something to Conservative Members. I am sorry that the hon. Member for Bolsover seems to dismiss it so lightly.

Hon. Members heard a characteristically detailed speech from the hon. Member for Linlithgow, who has a long and honourable interest in this area and has some expertise in it, so in a second I shall come to the points that he raised. But in first addressing it, I reiterate that President Chirac has offered a clear assurance that a testing programme will not harm the environment. Indeed, we are told by the French Government that, despite the fact that more than 150 tests have been conducted at Mururoa, the level of radiation in the south Pacific is lower than natural levels in some parts of mainland France. The French Government have made it clear that all the tests will take place underground.

The hon. Gentleman raises an interesting and important point about atolls. I assume that he means that the atolls are linked biologically rather than physically. In fact, he talked to me earlier about seeding. Even so, from the scientific evidence at our disposal, I do not believe that there is the kind of problem that the hon. Gentleman suggests.

If I understand his argument correctly, the risk would reflect two things: the product of the differential in radiation at the source point, and the mass transfer between the points that he is discussing. Both those numbers will be very low. However, I will look into it in some detail, since he has raised it rather too late for me to study the matter further.

Mr. Dalyell: Will the Minister ask Foreign Office officials to view the television programme "Coral Grief", which gives pictorial evidence of inter-reef fertilisation?

Mr. Davis: I shall make sure that we write to the hon. Gentleman, because I take his concerns seriously. I think that they are ill founded in this case, but I take them seriously.

The hon. Gentleman also raised the point about caesium 137 and strontium 90 in a debate in July 1973 about atmospheric testing. As the hon. Gentleman is aware, all the French tests will take place underground on this occasion, and there is no reason why such elements should be released from those tests. On that occasion in 1973, he received a response from the Attorney-General, which I think stands.

President Chirac has issued an invitation to experts to visit the area—we have had a call for an independent study—to check his assurance on the effect on the environment.

Mr. Llew Smith: Will the Minister give way?

Mr. Davis: I ask the House to consider whether President Chirac would have been prepared to give such an assurance if he was not fully confident that it would be proved justified. I leave it to the House to draw its own conclusions, but the matter seems fairly clear to me.

President Chirac has explained that the limited programme of tests will be designed to enable France to take advantage of computer simulation techniques to ensure the safety and reliability of its nuclear deterrent, once a comprehensive test ban treaty comes into force. If the hon. Member for Bolsover reflects on this, he will see that the latter point is good news.

We wholeheartedly share the desire for the comprehensive test ban treaty to be concluded at the conference on disarmament. The French decision and their reiterated commitment to a CTBT are a constructive contribution towards achieving that goal. The French are saying that they want to work for a comprehensive test ban treaty, that they want to sign one and that they are prepared to work to put themselves in a position to do so in a—

Mr. Deputy Speaker (Mr. Michael Morris): Order.

Mr. Stephen Spayne

1.30 pm

Mr. Tim Devlin (Stockton, South): I know that it is highly unusual to raise the case of an individual in the House of Commons, but there appears to be little alternative. I have already raised the case with the leader of Cleveland county council and it has become clear that an investigation must come from outside the council. I also raise this matter because people should be told what goes on in their local municipal buildings and how their money is being spent. No one at the county council seems to be interested in tackling the issue properly, although I understand that this morning, an extensive press statement has been issued which attempts to explain the position.

I shall run through the situation. This case relates to my constituent, Stephen Spayne, who works as a shift supervisor in the computer department at Cleveland county council; he has been working there for 21 years. In 1988, Mr. Spayne discovered a rather suspicious document purporting to be an invoice from KN Consultants to a man called Ted Stafford at Rank Xerox. For ease of reference, I have the document here. It is dated 16 May 1988 and it is for £350 for two days' consultancy, travel, subsistence and incidental expenses.

Mr. Spayne noticed that KN Consultants happened to have the same address as his immediate superior, Mr. Kevin Narey, in the computer department. Mr. Spayne recalled the wording of the code of conduct which bans private work except in very exceptional circumstances. He went to see the chief executive of Cleveland county council to report what was prima facie evidence of corruption.

Mr. Spayne also took with him two further letters, which he has given to me. The first is a letter from Mr. Narey to Rank Xerox which says:

"I am returning the cheque which eventually arrived last week in the hope that you can have it amended for me. As you will see, it is made out to KN Consultants. I need to have it in my own name and hope that this can be arranged. If it is any use to you, I enclose a second invoice in my name only. Sorry for the inconvenience."

The second piece of paper is from Mr. Kevin Narey of the same address. It is in respect of

"two days' consultancy, travel and subsistence and other expenses."

Mr. Bruce Stevenson, the chief executive of the county council, who is also my constituent, assured Mr. Spayne that he would deal with the matter thoroughly and that he need not trouble him with it again. Mr. Spayne then received a visit from his union branch secretary. He was clearly told not to mention the matter outside the county council and specifically not to go to see me, his Member of Parliament.

Following this action by Mr. Spayne, his working environment rapidly deteriorated. Mr. Narey came to see him, accused him of shopping him and started to harass him at work. His life became difficult. He was, for instance, booked on to a management training course while Mr. Narey was away and he received a start date. On Mr. Narey's return, the course was cancelled. There were complaints about every aspect of his work, even about the way in which he parked his car and about a range of other matters.

Mr. Narey, meanwhile, was promoted to head of the computer department and Mr. Spayne's life became even more unpleasant. Finally, in September 1993, the situation

culminated in Mr. Spayne being issued with a disciplinary notice for dereliction of duty. Understandably, Mr. Spayne appealed and refused to speak to the people who were harassing him without a union representative being present. A report was prepared for the appeal tribunal by an investigating officer who was appointed by Mr. Narey. The report did not, however, uphold the case for suspension and Mr. Narey sent it back for redrafting. Mr. Spayne's colleague at work was approached to give evidence against him and was asked, in effect, to lie about him. On 18 January 1994, Mr. Spayne was suspended from his post.

An independent inquiry was launched by a Mr. Dokes from the education department of the same county council. After a few weeks, my constituent was taken off suspension and put on leave of absence with pay. In May, he returned to work but was given menial tasks in another department, the printing department. From October last year, he went on sick leave as his new job was getting him down.

Meanwhile, Mr. Dokes had rapidly concluded his investigation and had written a 23-page report substantially supporting Mr. Spayne and drawing on the long history of events, going back to the discovery of the invoices in 1988. It was submitted to the chief executive, Mr. Stevenson, who apparently ordered it to be suppressed and another one to be written. Mr. Dokes said to a Mr. Slater of Unison of his first report:

"If anyone requests this report I shall deny even writing it, because I have my own position to think about."

There were witnesses present who wrote those words down. A new report was written; it was heavily jargonised and it did not come out with clear conclusions.

Late last year, Mr. Spayne came to see me. I regard allegations of corrupt practices as extremely serious, especially when the chief executive is alleged to be covering them up. I went to see the leader of the Conservatives on the county council and she directed me to the leader of the council, Councillor Paul Harford. After going through the facts and discussing Mr. Stevenson's role in all this, Mr. Harford agreed with me that there should be an outside investigation. He asked the county secretary, David Ashton, to receive a report from Mr. Spayne and to set up the necessary action. Mr. Spayne saw Mr. Ashton in December. In January, Mr. Spayne was suddenly recalled to work. He had a two-minute meeting with Mr. Wright of Unison and Mr. Stevenson. Mr. Stevenson said that there was no reason why he should not return to work immediately in his old job. However, he refused to discuss why Mr. Spayne had been off work for nearly a year. My constituent then returned to work and wrote to the personnel department asking for written reasons why he had been away from work, but he was given none.

Following the meeting with Mr. Ashton, the county secretary wrote to Mr. Spayne and to me in April this year saying that the matters had been investigated. I am afraid that the explanations offered do not amount to very much. There is to be no outside investigation.

First, Mr. Ashton appears to believe from what has been said by Mr. Wright of Unison that my constituent's grievances were being pursued through the normal channels when that was patently not the case. They have not been pursued by anyone, let alone Unison which seems, incidentally, to act as an arm of the county council. After all, it was another union representative who informally offered Mr. Spayne £20,000 to leave the county's employment.

Secondly, Mr. Ashton has taken advantage of Mr. Spayne's understandable reluctance to speak to superior officers in his own council about his allegation to discern that Mr. Spayne does not allege misconduct on the part of the chief executive. Yet the reason why I went to see the leader of the council and asked for a proper outside investigation was precisely because such an allegation had been made. I do not believe that it is in the interests of my constituent, Mr. Stevenson or the county council simply to brush the matter aside. If senior officers can accept outside payments from companies dealing directly with the county and can then have the matter hushed up, the council tax payers in my constituency should know about it.

The explanation of the events leading a senior officer of the council to invoice Rank Xerox has no substance at all. The matter was apparently referred to an internal auditor who sent a report to the chief executive who decided to take no action. Mr. Ashton—another servant of the council—has apparently read the report and is happy with it, but he will not say what is in it. However, I understand that in the light of today's debate, a statement has been issued to the press which offers some explanation.

Mr. Ashton has said that the personnel director stated in 1974 that, from time to time, chief and senior officers were requested to give informal or formal talks on particular aspects of the work of council, and that expenses for travel and subsistence and a fee could be paid. So why was Mr. Narey not open and above board about it? What about the company called KN Consultants, which apparently disappeared overnight? Apparently, it was resolved by the council that permission could be given for such talks if the appropriate chief officer was consulted. But no suggestion has been made that anybody was consulted in this case.

Why was Mr. Narey so angry about being shopped? Why was Mr. Spayne hounded, nearly out of his job? Why was the report on Mr. Spayne's employment quashed and sent back for a redraft? If the matter was all in order and above board, why did not Mr. Stevenson just tell Mr. Spayne that? Why is Mr. Narey now telling my constituent that he has no chance of redeployment when the computer department moves over to the new unitary borough of Middlesbrough? Is Mr. Narey, along with other officers, free to accept payments from contractors and then harass his staff if they question his doing so?

I suppose that it is possible that there is a perfectly reasonable explanation for all this, but justice has not yet been done, nor has it been seen to be done. There are, I suspect, only two alternatives. Either something very shady is going on in the county council and there has been a cover-up for some reason, or it is just a very badly managed institution which treats its staff poorly and has terrible internal communications. Either way, I am not confident that Cleveland county council is the efficient organisation it has pretended to be to stave off its own abolition.

I hope that the Minister will use what powers he has to have Mr. Spayne's case properly investigated by an outside authority. I would also like to see an independent report on Mr. Narey's activities with regard to the dummy

[Mr. Tim Devlin]

invoices, and a clear statement from Cleveland as to the circumstances in which officers' private arrangements with outside companies are deemed to be corrupt.

Since these events happened, Cleveland county council has revised its guidance on private work and general conduct for staff. Under the heading "General Conduct" in both the old and new versions, it says clearly:

"The Council must be in a position to rebut with confidence any allegation that the integrity of its administration is being impaired because of the leisure time activities of any of its staff. Implicit in this is the requirement that there must be no question of staff undertaking activities in circumstances which might lead to suspicion of undue or improper favour being granted, or undue or improper influence exercised, in relation to contracts or any kind of consent, permission, licence etc., which members of the public seek from the Council."

That is a clear statement which, in the circumstances, I do not think Cleveland council can live up to today.

Finally, it is beholden upon Cleveland county council to apologise to my constituent for the appalling way in which he has been treated, and to offer some token compensation. Once again, we see evidence of how the internal dealings of Labour-controlled councils leave a lot to be desired, and how difficult it is to bring such circumstances out into the light.

1.43 pm

The Parliamentary Under-Secretary of State for the Environment (Sir Paul Beresford): My hon. Friend the Member for Stockton, South (Mr. Devlin) has classically presented his case with typical clarity. Those of us with an interest in these matters will wish to consider carefully what he has said and consider their response to his analysis of these issues. However, I am sure that he will appreciate that it is not for me to comment on the specific case or the specific allegations. As my hon. Friend is aware, Ministers have no direct role in such cases, nor do they have powers to intervene. Nevertheless, the Government condemn all forms of impropriety and corruption in public life, wherever it occurs. We have done much in the last 16 years to promote good conduct in local government. I can offer my hon. Friend some general comments and some general guidance on how he might take this matter forward.

Historically, local government in this country has been characterised by a tradition of propriety and public service. However, there is always the potential for misconduct or fraud and we must not be complacent. Central Government's role is to ensure that there is a framework in place to provide a safeguard against such misconduct. In 1982, the Government established the Audit Commission to arrange for the audit of local authorities. The Audit Commission oversees the work of councils' external auditors, who have an important role in the fight against fraud.

In 1985, the Government set up the Widdicombe committee of inquiry into the conduct of local authority business. We responded to the committee's report with legislation providing for a number of measures to ensure the good conduct of local authority business. In particular, we introduced a head of paid service, responsible for making reports on—among other things—the proper appointment and management of staff and the introduction of the role of the monitoring officer to make reports on the contravention of the law or maladministration.

Other measures introduced by the Government since then have contributed to the improvement of the conduct of local government by encouraging authorities to root out waste and bureaucracy and to remove obstacles to the provision of efficient and effective services. I am thinking obviously of the disciplines imposed by the extension of compulsory competitive tendering to greater areas of local authority business and most recently the requirement to publish performance indicators.

However, the primary responsibility for the prevention and detection of fraud within their areas of operation rests with the local authorities themselves. As responsible employers, councils should uphold the highest standards of probity among their own employees. In the great majority of cases, they do. Where fraud is found, the authority should root it out. However, my hon. Friend is clearly dissatisfied with the response he has received from the council in this case. I would advise him that he, his constituent and others concerned about this case have two alternate avenues to explore.

In cases where there is a suspicion of criminal activity, the matter should be referred to the police and the Crown Prosecution Service. However, I am not aware that such allegations have been made in this case. Alternatively, matters relating to misconduct, fraud or the loss of public money can be referred to the council's external auditor. I am not in a position to say—nor should I comment—on whether the allegations referred to by my hon. Friend have some substance, but the nature of the allegations suggests to me that they are of the type which would fall within the remit of the district auditor. My hon. Friend may wish to consider this course of action, if indeed it has not already been done.

District auditors are independent of the councils which they audit, and they have significant powers to investigate allegations of wrongdoing and take action. Their powers extend wider than those of a commercial auditor. They not only audit the council's accounts, but advise on matters relating to value for money and good financial management. They guard against fraud, misconduct and the loss of money, and if they find transgressions they can surcharge those responsible for the repayment of money.

District auditors are overseen by the Audit Commission. Its statutory duties include the preparation of a code which prescribes

"what appears to the commission to be the best professional practice with respect to the standards, procedures and techniques to be adopted by auditors".

The code is subject to approval by Parliament and hon. Members with an interest in these matters will know that a Standing Committee of the House considered and approved the latest version of the code only last week.

Auditors have a duty to comply with the code in carrying out their functions, and therefore it plays an important part in the fight against fraud. The code makes it clear that it is the responsibility of auditors to review the adequacy of the measures taken by councils to combat fraud, to test compliance with these measures and to draw attention to significant weaknesses or omissions which they may identify. According to the code, any person may at any time give information to auditors which concerns the accounts of the relevant councils or is otherwise relevant to the auditors' functions, and auditors must—I emphasise that—consider such information. The relevant auditor in the matters referred to by my hon. Friend would be obliged to consider information passed to him.

Mr. Deputy Speaker, I sympathise with my hon. Friend's frustration in this case, and I hope he will not be disappointed that I have to say—in all fairness, I think he already realised this—that I cannot pursue the matter on his behalf. However, I have explained the framework within which local authorities and their external auditors must operate, and I have offered him some guidance on the future action he must take. I can do no more than wish him the best of luck.

Mr. Frank Cook (Stockton, North) *rose—*

Mr. Deputy Speaker (Mr. Michael Morris): Order. This is an Adjournment debate, and the Minister has spoken.

As both the right hon. Member for Tweeddale, Ettrick and Lauderdale (Sir D. Steel) and the Minister of State, Foreign and Commonwealth Office are present, we shall now move to the next debate.

Burma

1.49 pm

Sir David Steel (Tweeddale, Ettrick and Lauderdale): I am grateful for the opportunity to raise the important question of British Government policy on Burma. On Monday, I was able to welcome and congratulate the new Minister; let me do so again now. No doubt this is the first of many foreign affairs Adjournment debates that he will have to answer.

The Minister inherits one excellent policy: what has been described as the "good governance" policy of Her Majesty's Government over the past two or three years. We shall all miss the leadership shown by the right hon. Member for Witney (Mr. Hurd) over the years, and I have always given my full support to Baroness Chalker when she has spoken on the subject. Indeed, I shall begin by quoting from her Chatham house lecture of a year ago. She said:

> "The United Nations charter lays a duty on all of us to promote respect for human rights everywhere."

That encapsulates the theme of my speech.

In 1988, the National League for Democracy in Burma won the general election. Its victory was inconvenient for the military, which promptly staged a coup and established in its place the infamous SLORC—the State Law and Order Restoration Council. As with so many military coups around the world, the theory was that this would be a transitional phase prior to an orderly handing over of power to a democracy. That has not happened, however, and many of the Members of Parliament who had been elected were thrown into gaol. Since then, the legitimate Prime Minister of Burma, Dr. Sein Win, has been in exile. He is currently in Washington, and I had a long discussion with him there a few weeks ago.

The daughter of the Independence Prime Minister, Aung San Suu Kyi, has been the most noted figure of opposition to the military, and has been awarded the Nobel peace prize. We all rejoiced when she was released last week after six years of house detention. She became a symbol of resistance to oppression around the world, but life could have been so easy for her: the regime was perfectly willing to release her provided that she left the country to join her British husband and family in Oxford, but she realised that she would never be allowed back and volunteered to remain under house arrest. That is a tribute to her steadfastness and courage.

In her famous essay "Freedom from Fear", Aung San Suu Kyi wrote that courage could be described as grace under pressure—

> "grace which is renewed repeatedly in the face of harsh, unremitting pressure."

That definition could very well be applied to Aung San Suu Kyi herself. She has been a symbol of hope to the people of Burma, whether they are in the country or—as many are—in exile around the world. I was glad to hear today that she was able to attend the martyrs' memorial ceremony; we wait to see what other freedoms she will be allowed following her release.

We in the Liberal international movement decided to give Aung San Suu Kyi the 1995 prize for freedom. We award the prize annually to a figure who has made a contribution to world freedom, and I can think of no more appropriate recipient this year. Only a few weeks ago, the SLORC authorities refused me permission to travel to

[Sir David Steel]

Burma and present the prize. Given the new circumstances, I have asked permission again, and I hope that it will be granted in the near future.

I do not think that Aung San Suu Kyi would have been released but for the pressure exerted by many Governments around the world, including the strong words of our own Prime Minister in an answer to me at Question Time only three weeks ago and the pressure from the visiting Japanese Foreign Minister. All those factors have helped, but there is a danger that, because Aung San Suu Kyi has been such a symbol of the victimisation and oppression of the Government, the fact of her release may lead people to believe that things will be well in Burma from now on. I hope that they will, but the House should be aware that 16 elected Members of Parliament are still in gaol, and that there are an estimated 1,000 political prisoners in Burma—including nine students who were arrested only this year while attending the funeral of one of the Independence leaders.

The regime has been universally condemned for its human rights abuses over the past few years. Successive annual resolutions of the United Nations Commission on Human Rights and the third committee of the United Nations General Assembly have been increasingly critical of SLORC, and the sub-commission on prevention of discrimination and protection of minorities has also been extremely critical of its oppression of minority groups in the country—notably the Karen minority on the border with Thailand. No doubt the Minister is aware of a recent television documentary that produced some evidence that biological warfare had been used by the regime against the Karen people. That in itself deserves international condemnation.

All the UN resolutions have consistently called for an end to summary executions, torture and forced labour. I have just been reading the International Labour Organisation's report on forced labour. It estimates that some 800,000 people have been used for that purpose under legislation that allows Burmese local authorities to requisition citizens for public works. It states that the Government are is using forced labour in a strategic and systematic way to develop holiday resorts for tourists. For example, workers have been conscripted to clean out with bare hands the Mandalay canal, 10 km long and more than 3 m deep. Houses bordering the canal have been demolished and local people forced by the military to work 24-hour shifts, and 2,000 prisoners in chains have been brought in to assist. The report goes on to claim that some 30,000 workers have not been paid for work at the new airport in Basang, and that hordes of men have been seen cleaning streets and historic buildings in Mandalay.

The regime has responded that the allegations of forced labour are false and are being made by people who want to denigrate it. It argues that international critics do not understand the culture of the people; the voluntary contribution of labour to building shrines, temples and so forth is a tradition that goes back thousands of years.

That superficial argument has been rejected by, among others, the United States Government representative to the ILO, Julia Misner. She has pointed out that, while the United States Government respect the tradition of voluntary community service in Burma, there is clear evidence that people have been forcibly conscripted, taken from their villages and farms and made to work—often without pay or food—under threat of heavy fines, and subjected to severe physical abuse. She said:

"Some of these workers had died as a result of mistreatment and some had been murdered. What was unacceptable and alarming was not only had the Government failed to suppress the use of forced labour, but apparently had even promoted the spread of this practice".

When we speak of good governance, we are not talking only about obscure parliamentary traditions; we are talking about the way of life imposed on the people of Burma by the present regime.

What should we, in the outside world, be doing about that? Of course we have no aid programme to Burma because of the human rights record, yet Burma is a very poor country. The per capita gross domestic product is only $235; that is half of India's per capita GDP and less than that of Bangladesh. Only 10 per cent. of homes have electricity. Obviously, therefore, Burma is a country which in normal times would be a very worthy recipient of international aid assistance.

Given that that aid has been denied to them and given their inflation rate and their levels of poverty, the Burmese authorities have been developing what I can only call "economic diplomacy". A Japanese trading company recently signed an agreement on major infrastructure joint ventures and it is widely believed that the Japanese Government are now considering the resumption of an aid programme. Britain held a trade promotion week last year, and the World bank is currently preparing a report on economic reforms.

It is believed that Burma may announce other palliative measures following the release of Aung San Suu Kyi. She herself has answered a direct question on her release. She was asked by *Time* magazine:

"How should the international community react"

to your release? She replied:

"The authorities should be given credit for releasing me, but I think people should wait a bit to see what follows. There is no use rushing in and thinking everything is going to be hunky-dory from now on."

I think those are wise words.

I suggest to the Minister that our policies should be roughly as follows.

First, we must use our position in the World bank and the International Monetary Fund to ensure that major economic benefit lending is not resumed to Burma without a dramatic improvement in human rights. I believe it is essential that we use our influence in the international financial institutions in that constructive way.

Secondly, I do not believe that any further trade or investment delegations should be sent to Burma until the UN resolutions have been complied with.

Thirdly, I hope that Her Majesty's Government will support the UN machinery to establish a contact group which could encourage dialogue between SLORC and the National League for Democracy. It is interesting that members of the National League for Democracy—at any rate those that I have met—are not wild-eyed revolutionaries. They are making a reasonable suggestion that in Burma there might be, as an interim measure, a shared administration between the present regime and the NLD, pending the construction of a proper constitutional conference.

I believe that that is a sensible and moderate suggestion, which the UN is ready to encourage and which Her Majesty's Government should support.

We must make it clear to the regime that unilateral constitutional tinkering on its part will not be acceptable. The present so-called "constitutional convention" is already in draft and proposes, for example, a major continuing role in the democratic assemblies for the military. It proposes, for example, to disqualify from standing for presidential office anyone married to a foreigner; a more blatant piece of manipulation intended to exclude Aung San Suu Kyi is difficult to imagine.

Obviously, it is unacceptable that the existing regime should itself revise the constitution. There must be some process of dialogue, of constitution-building on a consensus basis. I suggest that the international pressure, especially the pressure from Her Majesty's Government, which was applied to the Banda regime in Malawi and produced exactly that type of constitutional dialogue leading to democratic elections, is what is required in Burma.

I hope that the Minister will confirm that not only shall we ourselves not resume an aid programme until there are changes of a more fundamental type in Burma, but that we shall talk firmly to our allies in the Japanese Government to try to ensure that they do not do so either.

I freely recognise that one of the problems facing the Government in promoting the good governance policy is that pressure through withdrawal of investment or trade is not effective if it is unilateral. It must be on a multilateral and co-operative basis. I argue that that co-operation should begin in the European Union. It may take us a long time to move to the so-called common foreign policy outlined in the Maastricht treaty, but whatever our opinions may be in the House on that subject there can be no denying that, on the issue of trade and investment pressure, a common policy is exactly what is needed. Otherwise, one country's sanctions become its neighbours' business opportunities. I hope very much that the policy of good governance will be pushed forward, especially in the European Union.

In the past few days, we have had the sad example of Nigeria. Strong statements were made about Nigeria by the Minister and by Lady Chalker, and the Nigerians have reacted against that and called in the heads of the British oil companies to warn them against what they regard as interference in their affairs. We are exposed as an individual country unless we work together with our allies to increase the pressure on those totalitarian regimes and persuade them to return to civilian Government.

I realise that I have not used up all the extra time that you have generously allowed us, Mr. Deputy Speaker, as a result of the shortness of the previous debate, but I have never believed in occupying space for that reason alone. I very much look forward to hearing what the Minister has to say in reply.

2.6 pm

The Minister of State, Foreign and Commonwealth Office (Mr. Jeremy Hanley): I am most grateful to the right hon. Member for Tweeddale, Ettrick and Lauderdale (Sir D. Steel) for initiating the debate. It is certainly very timely for the House to focus on Burma slightly more than a week after Daw Aung San Suu Kyi was released from the house detention to which the right hon. Gentleman referred. She had indeed endured that house detention for almost six years, and it had long been a policy priority of this Government to secure her unconditional release. I am sure that all hon. and right hon. Members of the House will wish to join the right hon. Gentleman and myself, especially on such a significant day, in welcoming that courageous lady back to freedom.

July 19 is martyrs day in Burma, commemorating not only Daw Suu Kyi's father, but the other Burmese leaders who were assassinated just before Burma achieved its independence. Earlier today, as the right hon. Gentleman rightly said, Daw Suu Kyi joined the State Law and Order Restoration Council—the SLORC—in laying wreaths for her father. The ceremony passed peacefully, and I believe that we should take that as a good omen for a united future for Burma.

I wish to begin by expressing my heartfelt admiration for Daw Suu Kyi. The citation for her Nobel peace prize in 1991 described her contribution as one of the most remarkable examples of civilian courage in Asia in recent decades. I am pleased to hear of the additional honour to which the right hon. Gentleman referred.

Throughout her detention, Daw Suu Kyi remained untainted by bitterness, and was rightly regarded as a fitting symbol of the non-violent struggle against oppression. Since her release, that courage has been complemented by a remarkable magnanimity and self-restraint. She has indeed been an example to all democrats. In a moving statement that she made to the press on her first day of freedom, she spoke, not of triumph, but of forgiveness and reconciliation. Now she is free, and is turning her efforts towards working with the SLORC for the good of the Burmese people. As I say, I cannot praise her enough and I should also pay tribute to the fortitude shown by her family.

We must also welcome the decision of the ruling military regime in Burma, the SLORC, in finally agreeing to remove the restriction that it had placed on Daw Suu Kyi. A long detention without trial was against all the principles of justice. We appreciate the SLORC's acknowledgment of her right to liberty at long last. By agreeing to her unconditional release and expressing its desire to work with her for the peace and stability of Burma, it has acted in its country's best interests. We warmly welcome its action and hope that it represents the first step in an irreversible pursuit of progress towards a prosperous and a democratic Burma.

As no one appreciates more than Daw Suu Kyi, that will be no easy task. But now there is hope for change. Burma is one of south-east Asia's least developed countries, with vast unrealised natural and human resources. The SLORC has asked Daw Suu Kyi to participate in the creation of a peaceful and prosperous country, and has expressed its hope that national reconciliation will be achieved. We encourage the SLORC to recognise the rights of all Burmese people to participate fully in the political process, and to heed the call for dialogue.

Encouraging such dialogue and cooperation has been a key aim of our policy since the SLORC came to power, and it will continue to be so. As Daw Suu Kyi has already pointed out, the positive resolution of political problems throughout the world in recent years has been achieved primarily through dialogue.

[Mr. Jeremy Hanley]

We have been heartened by the SLORC's stated intention to achieve reconciliation, and by its recent release of many political prisoners. But, as the Secretary of State said in his message marking the release of Daw Suu Kyi, there are many more people still detained in Burma. I am grateful to the right hon. Gentleman for his comments in that regard and for confirming the magnitude of the existing problem. We hope that the process of formulating a new constitution will become a truly consultative process involving all ethnic and political groups and that all those still detained for voicing their hopes and aims for a free and democratic Burma will be released to take part in that process.

Of course, civil liberties are not the only important rights. The welfare of the Burmese people continues to concern us. As the right hon. Gentleman has mentioned, the human rights situation in Burma is distressing by any standards. We are aware of reports of forced labour and military porterage, and of the displacement of entire communities. The plight of the Karen people on Burma's border with Thailand must not be overlooked. As the right hon. Gentleman said, there has been graphic evidence of that in recent television programmes.

Freedom of speech and association are still denied in Burma. We have condemned such human rights abuses and will continue to do so, both bilaterally and in international forums. We support the activities of the United Nations in promoting democracy in Burma and we would consider carefully any proposal for a contact group. But there is hope for change. The SLORC has at last realised that the removal of constraints from Daw Suu Kyi can help it to achieve a prosperous and a peaceful Burma. We must work with others to persuade it to realise that the same benefits will come from respecting the human rights of all the Burmese people, including the ethnic minorities.

We are committed to helping Burma develop into a peaceful and prosperous nation with which we can enjoy productive relations. We endorse Daw Suu Kyi's call for the healing of divisions to stabilise Burma and we are encouraged by the SLORC's request that she work with it for the peace and stability of the country. Internal stability is a vital prerequisite of the political and economic development that is essential if Burma is to play a full international role.

We recognise that Burma's neighbours have direct concerns which affect the formulation of their policy. But we urge them to consider carefully the implications of moving too quickly. Daw Suu Kyi and the right hon. Gentleman referred to the advantages of a quiet and careful approach. We should not rush into things, assuming that everything is, as Daw Suu Kyi said, "hunky-dory". We all want Burma to play its full part in international and regional groupings. But before Burma can fulfil wider roles satisfactorily, the SLORC needs to be encouraged to apply principles of good governance. I am grateful for what the right hon. Gentleman said in that regard. The principles of good governance require a Government to be legitimate, competent, accountable and to respect and promote human rights and the rule of law. We can all do much to encourage that.

All those Governments with an interest in the future of Burma are reviewing their policies following Daw Suu Kyi's release. But the watchword is caution. We shall all be watching closely to see if the SLORC takes advantage of the situation that it has created. Burma stands to benefit greatly if it does.

Aid is an important aspect of our policy, as the right hon. Gentleman highlighted. We shall be considering carefully the direction that our aid policy should take over the coming months. Aid is a valuable tool in exercising international influence in Burma, and we must be careful that it is used to support reform rather than undermine it. We shall discuss the way ahead with our European partners. We are already in agreement that we should reward reform in Burma by providing aid.

We consider it vital that the SLORC should cooperate with the UN bodies and other aid and humanitarian agencies working in Burma, whose efforts we strongly support. It is only in that way that the Burmese people will be able to benefit from the help that we all wish to provide.

Burma is in desperate need of economic development, as the SLORC has recognised. We should be doing the Burmese people a grave disservice if we were to ignore that. Daw Suu Kyi has also expressed her support for measured economic development country wide. But we must proceed with caution. As part of our critical dialogue, we should let the SLORC know that progress with economic assistance will be conditional on both economic and political reforms. They must be radical. In particular, Burma needs a stable fiscal framework and a new currency policy. She should address urgently the problem of her foreign debt.

We shall also be reviewing the means by which we assist British companies to prospect the Burmese market. It is a market that could develop quickly should real reform come. We need to ensure that British companies will not be at a disadvantage when competing in those conditions. The competition will be intense. Through trade, we can help to reinforce rather than undermine our policy in other areas. Through increased commercial contacts with democratic nations such as Britain, the Burmese people will gain experience of democratic principles. So I do not share the view of the isolationists who contend that trading with repressive regimes only brings them succour.

I shall refer to the right hon. Gentleman's comments about the trade fair. British week proved extremely successful. It was a small scale affair, but one which aimed to give British firms a chance to assess for themselves market opportunities in Burma. It was not just a trade event; it included cultural and information elements that aimed to correct the distorted image of the United Kingdom in Burma. We do not have any plans for future events, but I believe that the trade fair achieved all of its aims.

Overall, we aim to provide the strong and sympathetic support that Daw Suu Kyi asked for from the international community, working bilaterally with our European partners, Burma's neighbours and other nations. The continued interest shown by the House reflects the genuine wish of people in Britain to help to achieve the aims that she has represented for so long. We must impress upon the SLORC our interest and potential to contribute, but we must emphasise our continued insistence on the removal of the many abuses and restrictions that remain. It is truly critical to maintain our dialogue.

I can summarise our current attitude as cautiously optimistic. We are looking at our policy options but will not rush ahead. We must allow the dust to settle and the dialogue between Daw Suu Kyi, her followers and the

SLORC to develop. We must do our best to aid the progress of dialogue and reconciliation by recognising and rewarding moves in the right direction. Daw Suu Kyi has warned the Burmese people

"not to expect too much too quickly",

but her positive attitude gives hope for progress. She pointed out that the differences between the regime and the Opposition in Burma are nothing like so great as the gulf that divided black and white in South Africa. If South Africa can resolve its differences and proceed as a united country, there is hope for Burma. We shall do all that we can to encourage the fulfilment of that hope. Again, I am grateful to the right hon. Member for Tweeddale, Ettrick and Lauderdale for raising the issue in the House today.

2.19 pm

Sitting suspended.

2.30 pm

On resuming—

It being half-past Two o'clock, the motion for the Adjournment of the House lapsed, pursuant to Order [19 December].

PRIVATE BUSINESS

ACCOMMODATION LEVEL CROSSINGS BILL *[Lords]* (*By Order*)

Order for Third Reading read.

To be read the Third time on Thursday 19 October.

CITY OF WESTMINSTER BILL *[Lords]* (*By Order*)

Order read for resuming adjourned debate on Question [26 June].

Debate to be resumed on Thursday 19 October.

Oral Answers to Questions

ENVIRONMENT

National Park Authorities

1. **Ms Ruddock:** To ask the Secretary of State for the Environment what representations he has received regarding the new national park authorities. [33371]

The Secretary of State for the Environment (Mr. John Gummer): Our conclusions in response to the many representations we have received are reflected in part III of the Environment Bill.

Ms Ruddock: The Secretary of State will be painfully aware of the extent to which Britain's conservation bodies feel cheated by his decision to remove "quiet enjoyment" rather than accept the definition tabled by the Opposition on Report. When will his revised guidance be published, as promised? Will he give us his word that that guidance will make it crystal clear that a special quality of all national parks is their peacefulness and tranquillity?

Mr. Gummer: I am sorry that the hon. Lady should not have read with care reports of discussions in Committee, when it was made clear that, although the Government sought to find a way both to retain "quiet enjoyment" and to ensure that people could continue to do in national parks what they have done and want to continue to do, there was no way in which either the Opposition or the Government felt that that could be achieved. We have removed "quiet" and I have stated in the guidance, which I hope to publish as soon as possible, that we shall ensure that the tranquillity that is suitable for national parks is maintained while enabling people to continue to lead their lives in a reasonable manner. I think that that is reasonable, and most bodies agree with me.

Mr. Peter Atkinson: Does my right hon. Friend accept that his decision to increase the number of local people on national park authorities, especially parish councillors, has been warmly welcomed, particularly in the context of the Northumberland national park? Will he dissociate himself from the remarks made by an Opposition Front Bench spokesman in Committee to the effect that parish councillors are overly parochial and accountable to no one?

Mr. Gummer: I was surprised to read of the Labour party's assertion that parish councillors are accountable only to themselves. I was surprised also by the dismissive and contemptuous way in which they were treated by the Labour Front Bench. I hope that parish councillors notice that the Labour party does not consider them to be representative of local parties and does not believe that they are elected. I hope also that parish councillors will know what to do in future when the Labour party woos them.

Mr. Bennett: Does the Secretary of State agree that there are many people who enjoy walking in national parks? Will he encourage national parks to negotiate access agreements to increase the areas in which people can walk? Will he urge all national parks to achieve the target set out in the Edwards report by ensuring that, by the end of the year, all rights of way in national parks are free of obstruction and are signposted where they leave the highway?

Mr. Gummer: I am obviously pleased by the way in which we have improved the opportunity of access during the past few years. I know that most national parks are trying to do precisely what the hon. Gentleman has urged. We must recognise, however, that there is a balance to be achieved. Many other functions of the national parks must be carried out properly, such as conservation of habitat, protection of birds and improvement of agriculture. All those factors must come into the balance as well.

Building and Construction Industry

2. **Sir Michael Neubert:** To ask the Secretary of State for the Environment what is his latest assessment of the prospects for the building and construction industry; and if he will make a statement. [33372]

The Minister for Construction and Planning (Mr. Robert B. Jones): I commend to my hon. Friend the latest state of the construction industry report, produced jointly by my Department and representatives of the industry, which was published on 13 July. Copies have been placed in the Library.

Sir Michael Neubert: Does my hon. Friend agree that a thriving building and construction industry is usually a great contributor to economic recovery and should be a political imperative for a party that has always championed the idea of a property-owning democracy? Given the present flatness of the housing market, has my hon. Friend any ideas in mind, such as the upgrading of our substandard housing stock, which would revitalise the industry and restore the cachet of home ownership?

Mr. Jones: I agree with my hon. Friend about the importance of the construction industry. Of course we want to encourage it in every way possible to become more efficient and cost-effective so that it will continue to have an important place not only domestically but in terms of exports, which are going well. My hon. Friend should not forget that, despite gloomy pictures on the part of the construction industry, there are some better prospects and, in particular, exports are going well.

Mr. Betts: Does the Minister accept that the prospects for the building and construction industry are extremely gloomy because, in the public sector, the Government will do nothing to release local authorities' capital receipts which could lead to jobs and homes being built and, in the private sector, the Government are impotent and can do nothing because the real problem is the British people's lack of confidence in the Government and in Britain's economic prospects while they remain in power?

Mr. Jones: The hon. Gentleman behaves as though the receipts that accrue to local authorities are sitting under councillors' beds. A proportion is used for housing investment and much is used as a substitute for borrowing or lent on the money market. If that money was spent all at once, it would exert upward pressure on interest rates as well as causing other problems.

Mrs. Ann Winterton : Does my hon. Friend agree with the Prime Minister who, when addressing the Manufacturing and Construction Industries Alliance on Monday this week, said that, with interest rates and inflation under control and with falling unemployment, housing has rarely been more affordable, and that the only stumbling block was lack of confidence? What does my hon. Friend believe he should do to get over that stumbling block in order to encourage the first-time buyer, thereby enhancing the prospects for the construction industry?

Mr. Jones: I read my right hon. Friend's excellent speech and I commend my hon. Friend's husband, the Member for Macclesfield (Mr. Winterton), on his role in that organisation. My hon. Friend refers to the 20-year low in the ratio of prices to incomes and therefore rightly highlights the fact that housing is more affordable. Instead of talking down the housing market, Opposition Members should be emphasising that fact to encourage sales.

Mr. Raynsford: Will the Minister now come clean? In the past week we have seen figures from the National House-Building Council that show that starts in the first six months of this year are 15 per cent. down and figures from the Corporate Estate Agents showing sales down by a similar amount. Everyone in the industry knows that the house-building industry is in difficulty and that confidence has been further weakened by the crass decision to cut the income support safety net. When will the Government face up to their responsibilities? There was nothing in the White Paper to restore confidence in the market. When will the Government come to the help of the hard-pressed house-building industry and the millions of home owners who are in difficulty?

Mr. Jones: No one has any illusions about the fact that the house-building sector is going through a difficult period which will be overcome only as confidence continues to gain strength. That depends on how the economy performs and on how the message—that private sector housing has not been as affordable as it is now for 20 years—is put across.

House-building Industry

3. **Mr. David Nicholson:** To ask the Secretary of State for the Environment if he will make a statement on the business prospects for the house-building industry. [33373]

Mr. Robert B. Jones: The Government remain firmly committed to a policy of sustainable home ownership and we anticipate recovery in the house-building industry as the wider economy continues to grow.

Mr. Nicholson: The national interest and the Conservative party's interest depend on a flourishing housing and building industry in the widest possible sense—home ownership and encouraging mobility. Does my hon. Friend agree that the present situation—which has complex causes, notably the over-borrowing of the late 1980s—is not sustainable for long? It is desirable for the reasons that I have given that my hon. Friend's Department should work closely with the Treasury to bring forward specific, urgent and early measures to encourage the house-building industry.

Mr. Jones: I shall certainly draw my right hon. and learned Friend the Chancellor's attention to my hon. Friend's point, but I return to the fact that the health of the house-building industry depends crucially on the performance of the economy as a whole. As my hon. Friend says, it would serve no one any good if we returned to the days of hyper-inflation in house prices.

Mrs. Helen Jackson: In view of the Minister's new responsibility for health and safety, has he yet had time to look at the appalling health and safety record of building workers in the house-building industry? What will he do, particularly about the deregulated sector, commonly known as the lump?

Mr. Jones: The hon. Lady sounds like a voice from the 1960s. We are, of course, keen to see improving safety standards in the construction industry. As someone who worked in that industry, I am more aware of the matter than most, and we will continue to place emphasis on it.

Mr. Dover: Does my hon. Friend agree that a key factor in the house-building industry is the level of interest rates? Does he applaud the action taken by my right hon. and learned Friend the Chancellor of the Exchequer on 5 May when he resisted increasing interest rates? Will my hon. Friend try to ensure that, like the Chorley building society, other building societies do not always put up their rates when the larger ones do?

Mr. Jones: I am pleased to hear about the building society in my hon. Friend's constituency. My right hon. and learned Friend the Chancellor has to balance all the considerations, including the climate for inflation, as well as the performance of the economy as a whole. As I am sure my hon. Friend knows, that is not an easy balancing act.

Houses in Multiple Occupation

4. **Mrs. Anne Campbell:** To ask the Secretary of State for the Environment if he will make a statement on his reasons for deciding not to introduce a national licensing scheme for houses in multiple occupation. [33374]

The Minister for Local Government, Housing and Urban Regeneration (Mr. David Curry): The rules that we are proposing will permit effective action to ensure safety where that is necessary without imposing universal rules that may not be necessary everywhere.

Mrs. Campbell: Will the Minister admit that three out of every four people who responded to the Government's consultation paper supported the case for a national licensing scheme for houses in multiple occupation? By refusing to introduce such a scheme, are not the Government putting their ideological hostility towards regulation ahead of the proper concern for public safety and the need to save lives?

Mr. Curry: It is true that a large number of people wanted a licensing scheme, but they wanted different things—there was little agreement on the shape of the scheme that they wanted. We have decided to build on the powers that local authorities have rather than impose duties on them. There are parts of the country where there are relatively few problems, and it is not necessary to introduce a compulsory universal scheme. Where it is necessary to introduce a scheme, local authorities already have the relevant powers, and we shall give them enhanced powers.

Mrs. Lait: Can my hon. Friend assure me that he will advise local authorities that houses in multiple occupation are precisely that and that the term should not be applied to large houses that have been converted into a few flats with relatively few residents?

Mr. Curry: We shall exempt from the regulation places such as long-term leasehold blocks, houses with self-contained flats and university halls of residence. They will be caught by different regulations that achieve the same purpose.

Air Quality Monitoring

6. **Mr. Ainger:** To ask the Secretary of State for the Environment how many monitoring stations capable of recording levels of PM_{10}s or lower provide information for his Department. [33376]

The Parliamentary Under-Secretary of State for the Environment (Mr. James Clappison): There are currently 16 stations. Another nine will come on stream by the end of 1996. On top of that, local authority sites will be integrated to increase the coverage.

Mr. Ainger: I welcome the Minister to his new post, but I am extremely disappointed with his reply. Professor Seaton's report in *The Lancet* in January established a direct link between the number and level of PM10s in the atmosphere and high levels of death as a result of cardiovascular problems and respiratory disease. I understand that the expert panel on air quality standards will report later this year. Is not the number of monitoring stations wholly inadequate? Does the Minister agree that his plans do not address this serious problem?

Mr. Clappison: The hon. Gentleman should take into account the fact that, in addition to the automatic monitoring stations, there are 250 non-automatic stations around the country. The hon. Gentleman is right to say that particle matter causes concern. That has been recognised by the expert panel, which is taking the matter seriously. No doubt particle matter will be one of the pollutants that we shall aim to reduce as part of our national air quality strategy that will be put in place by the Environment Bill. That strategy will be taken seriously; certainly it will be put into force.

Mr. Congdon: I warmly welcome my hon. Friend's appointment. I am sure that he is aware that pollution causes particular difficulties for those with health problems such as asthma. What further action can his Department take to ensure that existing laws and those that are passed in this Session are used to try to reduce the number of lorries and buses that belch out filthy black smoke?

Mr. Clappison: I am grateful to my hon. Friend for his kind comments, as I am grateful to the hon. Member for Pembroke (Mr. Ainger) for his. My hon. Friend makes a valuable point. Diesel exhausts, buses and cars are responsible for a large volume of the pollution he describes. He will be aware that tighter standards are coming into force in 1996. They will result in a reduction of that type of pollution in the way that other measures, including the introduction of catalytic converters, have reduced other forms of serious pollution. All those measures will help to achieve the high standards for which we aim.

Homelessness

7. **Mr. Sutcliffe:** To ask the Secretary of State for the Environment what additional new measures he proposes to take to combat homelessness. [33377]

Mr. Curry: There will be a further rough sleepers initiative in London and we are considering how to apply the experience of the rough sleepers initiative outside London.

Mr. Sutcliffe: Is not it the case that, during the past 16 years of Tory government, homeless households have more than doubled and housing for rent has fallen to its lowest level? There are no real programmes offering homeless people what they really want—permanent homes. Why will not the Government let local authorities build affordable social housing?

Mr. Curry: I am afraid that the hon. Gentleman is trapped in a time warp. That comment is typical of the whole Labour party, which wants only to build council houses and does not seem to take any interest in any other aspect of housing policy. The Government have shifted the emphasis for construction to the housing associations because we think that they do the job better than local authorities. We have also shifted the emphasis towards getting an increasing number of houses for rent available to people by making sure that we have vacancies for them.

We have encouraged people to move into their own property if they can afford it so as to liberate that property, and we have a campaign to deal with the problems of empty property. We have achieved a much better balance in housing than existed before. Those policies offer to homeless people, specifically through the rough sleepers initiative and through the programmes that will be in the housing White Paper, a far better balance in housing policy across Britain as a whole.

Mr. Anthony Coombs: Does my hon. Friend agree that one of the ways in which to tackle homelessness is through a thriving housing market? Given the current difficulties in that market, and especially its low margins, does he sympathise with the significant concern of the housing industry about the draft part M building regulations and about the additional cost brought about in particular by the insistence on ramp accesses for every new house? Those measures will inevitably impose costs on the housing sector and that will be completely against the interests of those who want to own their own homes and, ultimately, act against the interests of the homeless.

Mr. Curry: We are not insisting on that. That is merely one of the options.

Housing

8. **Mr. Whittingdale:** To ask the Secretary of State for the Environment if he will make a statement about the advantages of large-scale voluntary transfer of housing stock. [33378]

Mr. Gummer: As my hon. Friend will know from the recent transfer of Maldon's housing stock to the Plume housing association, large-scale voluntary transfers mean more investment in housing stock and better services for tenants.

Mr. Whittingdale: My right hon. Friend mentions the transfer of Maldon district council's housing stock. Is he aware that, following that transfer to the Plume housing association, tenants will this year pay a rent increase of 3.9 per cent. rather than the 12 per cent. that was projected by the council and that the council has benefitted by £21.5 million? Is not that an excellent demonstration of the way in which large-scale voluntary transfer can benefit council tenants, the local authority and the council tax payer?

Mr. Gummer: I agree with my hon. Friend. Perhaps he shares my experience. Now that LSVTs have been made in Suffolk Coastal, I receive from council tenants in a year the number of complaints that I used to receive every month. The improvement in the management of

housing and the money available for improvements in housing stock have had a remarkable effect. I hope that other local councils will take heart.

Rev. Martin Smyth: While we welcome the moves towards greater mobility in the housing market, is it true that housing association are permitted by law to sell tenants their own homes, or are they forbidden from doing so? I am not speaking about special purpose housing, but normal housing.

Mr. Gummer: The constitutions of some charitable housing associations have arrangements that make it impossible for them to sell, but, for the most part, associations can, if they wish, sell to their tenants. We are encouraging that. In future, housing associations that receive money from central funds will get it on condition that they provide a right to buy. The money that they make from those sales could, of course, be recycled immediately into new housing.

Mr. Stephen: Will my right hon. Friend confirm that, if Labour and the Liberal Democrats had had their way, local councils would have had no capital receipts because no council houses would have been sold?

Mr. Gummer: My hon. Friend is perfectly right. He may also notice that the Labour party has been extremely careful not to say, were it in power and were it to allow local authorities to spend their capital receipts, that it would maintain the same amount of capital allocations as we now provide. What the Labour party is saying is entirely untruthful. It might well allow capital receipts to be spent, but it would ensure that the same amount of money was not handed out by the Government to the councils that really needed it.

Disused Mines (Water)

9. **Mr. Clapham:** To ask the Secretary of State for the Environment what access his Department has to studies on the effects of the cessation of pumping at disused mines conducted by British Coal before privatisation. [33379]

Mr. Clappison: British Coal has discussed with the National Rivers Authority the implications for the water environment of potential mine closures, and has made available any studies relevant to the responsibilities of the NRA.

Mr. Clapham: I am grateful to the Minister for that answer, but that conflicts with what I and my hon. Friend the Member for Sheffield, Hillsborough (Mrs. Jackson) were told when we recently met members of the NRA and local business in my constituency. We learnt that the NRA is finding it difficult to gain access to the impact studies that were conducted following the closure of each colliery and that they did not have access to the mine plans. Will the Minister ensure that the NRA and the new Environment Agency, which will take on that duty next April, have access to those mine plans and the impact studies carried out by British Coal?

Mr. Clappison: I am happy to talk to them about that. The hon. Gentleman will of course derive reassurance from the fact that the Coal Authority has confirmed that it will continue pumping operations at abandoned mines where the NRA considers it necessary. It is doing just that at a former pit, Wooley colliery, in the hon. Member's constituency. My hon. and noble Friend Viscount Ullswater gave an assurance that the authority will go beyond that and seek the best environmental outcome in the circumstances.

Mr. Illsley: Is the Minister aware that the Coal Authority has said that it does not consider itself to be responsible for the pollution from abandoned mines? Given the problems of the NRA not having access to certain information and insufficient resources to deal with the problem, the Government should devote more resources to combat pollution, which is causing a great deal of concern in former mineworking areas.

Mr. Clappison: I am disappointed that the hon. Gentleman has put that interpretation on what the Coal Authority has said, because he is completely wrong. As I said, the authority has guaranteed to continue pumping operations. It is clearly important that it should do so. The hon. Gentleman is aware that those operations are continuing at a number of pits, including some close to his constituency.

Home Energy Efficiency Scheme

10. **Ms Lynne:** To ask the Secretary of State for the Environment what plans he has to extend the remit of grants available under the home energy efficiency scheme. [33380]

Mr. Robert B. Jones: This year, about 600,000 homes will be insulated under the scheme. Since 1993-94, we have increased the money going into it by 185 per cent., and we are now seeing whether there are any further ways in which to make it more effective.

Ms Lynne: However welcome the home energy efficiency scheme is, does the Minister agree that, if the Government gave wall insulation grants as well, it would help the environment and help to fight fuel poverty?

Mr. Jones: I agree that cavity fill is worth considering. There are many cases where it might be more effective than other forms of insulation. It is one of the areas that I want to consider during our review.

Mr. Brandreth: I congratulate my hon. Friend on his recent promotion, which was richly deserved in view of his sheer brilliance and because of the time and attention he has given to the City of Chester, which he visited recently in connection with this very scheme.

Will my hon. Friend confirm that the scheme will benefit 600,000 homes in the coming year? Will he further confirm that the people whose homes in Chester I visited are saving several pounds a week in fuel costs since taking advantage of the scheme, as well as enjoying greater comfort?

Mr. Jones: I am grateful to my hon. Friend for his kind comments. It is sad that we are discussing this subject so soon after the death of his predecessor, who was a leading figure in the home insulation sector and president of the neighbourhood energy action group.

I confirm that we estimate that 600,000 homes will be insulated this year, bringing to well over 1 million the number that have benefited from the scheme.

Social Rent Homes

11. **Mr. Khabra:** To ask the Secretary of State for the Environment what is his estimate of the total number of social rent homes which will be started in 1995; and what were the figures for 1979. [33382]

Mr. Curry: In 1995-96, we estimate that about 46,000 new social rented homes will be started or released by home ownership grant schemes, together with a further 4,000 shared-ownership properties. There were about 77,000 starts in 1979-80.

Mr. Khabra: The Minister is being evasive. Why does not he face the fact that the Government's housing programme has been a shambles? In the first five months of the year, housing association starts were down by 31 per cent. Does he accept that the output of new houses for rent is the lowest since the end of the second world war?

Will the Minister confirm that his Department's estimate of housing need shows a requirement for between 60,000 and 100,000 new houses for rent each year? However, new starts this year will be only half of the bottom end of that range. Does he admit that his housing policy has been a disaster and does not meet the country's needs?

Mr. Curry: To equate housing need and housing starts is a wholly false comparison. What matters is how many people acquire homes as a result of policies. Housing starts are obviously part of that equation, but so is people's ability to move into empty property, people taking up the incentive schemes and people taking shared ownership. I can think of no Government who would calculate the figures purely on the basis of housing starts. The hon. Gentleman should look at the entire pattern of the housing programmes to see what is being done to help the private rented sector and appreciate how the housing associations have been given a much greater role in the provision of housing. He should also look at the provisions in the White Paper, which are intended to bring greater capital into the programme. I am sure that he will find that, far from being what he described, the Government's housing policy is coherent. We are all waiting for the Opposition's housing policy. We have been told that it is about to be announced, but I suspect that, yet again, they are having a spot of trouble with Gordon.

Mr. Jenkin: Is not the most effective way for local authorities to promote the construction of social housing—and, indeed, to release housing capital receipts—to adopt the large-scale voluntary transfer of council housing stock? They could then pay off their debts and invest their housing capital receipts in new construction, in conjunction with housing associations.

Mr. Curry: My hon. Friend is absolutely right. The large-scale voluntary transfer programme provides one of the avenues through which significant resources can be released for the benefit of the tenant and the local authority. I draw his attention equally to the Government's recent proposals on the creation of housing companies, which will provide another avenue. We are anxious to find as many ways as possible to provide the sort of houses that people want and to get the best value for money in providing them.

Mr. Dunn: Given that housing need and homelessness are greatest in inner-city areas, will the Minister please confirm that Labour-controlled inner-city councils are mismanaging many thousands of empty houses and flats, to the detriment of people in real need? The Opposition want to run the country, but they could not even run a bath.

Mr. Curry: My hon. Friend is right. Some inner-city authorities forget that the basic management skills involved in filling voids, doing repairs and keeping people moving up the waiting list are essential in the provision of homes. If they do not have those management skills, they are not likely to be able to embark on any of the more ambitious programmes.

Mr. Dobson: Behind all the Minister's waffle, is it not the case that, in the first five months of the year, there were only 11,000 council or housing association starts and that we are therefore heading for the lowest number of such starts in any year since the second world war? Is it not a bit rich for the Minister to announce suddenly that the Government have seen a blinding new way to deal with the demand and need for housing when their predecessors took the simple-minded view that if there were people with nowhere decent to live, it would be a good idea to build them some houses? Is it not a fact that the Government's housing policy is letting down people who have nowhere to live and people who live in overcrowded conditions? Is it not also letting down owner-occupiers by the million through the record level of negative equity and mortgage arrears and, now, record low levels of house building? It is all very well for Ministers to laugh, but the fact is that, whether people are renting, or buying, or have nowhere to live, the Government are letting them down, and the recent housing White Paper offered no solutions to any of the problems.

Mr. Curry: Before the hon. Gentleman gets too frantic, and before he turns his attention to persuading the shadow Chancellor to allow him to publish his own housing proposals, for which we are all waiting with bated breath, perhaps he might consider what is actually in the White Paper. It is amazing that, even when a document is leaked, the Labour party cannot understand the leaked version.

We have significant proposals for the development of the role of housing associations; we have proposals that will help the development of the private rented sector; we have proposals for the diversification of tenure; and we have proposals to bring new money into the social rented sector and the private rented sector. [HON. MEMBERS: "That is privatisation."] There is a great deal to be said for privatisation. The hon. Gentleman overlooks the fact that in, for example, our proposals for housing companies, we intend to allow local authorities a significant stake. I noticed that one of the Opposition's Treasury team speaking at Harrogate—at the same conference at which the hon. Member for Greenwich (Mr. Raynsford) spoke—said that we should not expect the Labour party to allow local councils to have a majority stake in housing companies because it does not believe that they should. When he reflects on things, the hon. Gentleman will have great difficulty seeing anything in his document apart, of course, from proposals for more council houses built by the same councils on the same old dreary estates.

Rented Accommodation

12. **Mr. Winnick:** To ask the Secretary of State for the Environment what steps are being taken to encourage the availability of affordable rented accommodation. [33383]

Mr. Curry: This year, public funding will produce 70,000 new social lettings. Around 250,000 existing tenancies become available for reletting each year.

Mr. Winnick: Does the Minister not realise that what he has said this afternoon to my hon. Friend the Member for Holborn and St. Pancras (Mr. Dobson) and other colleagues does not alter the fact that tens of thousands of families are being punished—there is no other word for it—because they cannot get a mortgage and are unable to obtain a council house, as a result of Tory dogma? Why should those people be punished and have to live in the most dire circumstances, often in a single room, or even be homeless with their children, while Ministers have perfectly adequate accommodation? Is it not time that we allowed local authorities to build again, thus giving people who cannot afford a mortgage the opportunity to live in the kind of accommodation available to Members of Parliament?

Mr. Curry: I would be rather more concerned about the hon. Gentleman's indignation if I felt that he was being a little more useful in tackling the situation in Walsall, where the incoming Labour council is seeking to overturn a tenants' ballot in favour of taking the management of the estate under its control, not to speak of management changes that have even the Labour unions protesting against the Labour council. When he has addressed himself to the problems on his doorstep, he might be more qualified to address the problems of the nation.

Mr. John Marshall: Does my hon. Friend accept that, in Hackney, the Monklands of the south, some 9 per cent. of the housing stock is empty? Is he aware that many Labour-controlled councils have a large number of empty council houses and that also they have not collected huge amounts of rent and rate arrears? If they collected rents, would they not be able to do something about improving the housing stock? Does he also accept that many people welcome the proposals of my right hon. and learned Friend the Home Secretary to deprive illegal immigrants of the right to social housing?

Mr. Curry: I am sure that my hon. Friend is right on all counts. It must be the first task of local authorities to ensure that they manage their stock correctly. That means that they get down voids, they manage their repairs, they move people through on the waiting list and they collect the rent. The rent which is not collected is simply a resource being ignored, and that means that somebody suffers. Usually, people who are in the worst circumstances suffer from those inefficiencies.

Mr. Dafis: Is it not difficult to justify paying housing association grants to private sector providers of social housing, as the White Paper proposes? If the Government insist on proceeding with that proposal, will the Minister confirm that such private developers will be subjected to exactly the same requirements as housing associations and local authorities on the selection of tenants and being required to accept nominations from local authorities, and so on? Do the Government have any concrete evidence that the private sector can provide social housing more efficiently than housing associations, bearing in mind that, of course, it will take its cut of profits?

Mr. Curry: The hon. Gentleman should realise that if private-sector builders enter this process and therefore get Government subsidy, they will have to sign a contract with the Government that will govern the conditions under which they receive grant, get tenants and quit the sector and it will govern what happens to any profit that they might make over the very long-term from that activity. It is our absolute intention to ensure that housing associations and private developers in that sector are put on an exact equal basis and that the standards of the properties that they are required to build will be the same.

Mr. Harry Greenway: Does my hon. Friend accept that there is an unfairness because tenants of social housing and private rented accommodation qualify for housing benefit, and those who are in protected tenancies do not? Does not the landlord of the protected tenant have to subsidise that tenant, whereas taxpayers and council tax payers subsidise tenants in social and private rented housing?

Mr. Curry: I am sure that my hon. Friend understands that one of the central purposes of the White Paper is to encourage more landlords to come into the housing sector. The evidence is that a large number of landlords—many owning few properties—would like to be able to rent their properties but they are concerned about whether they would get possession of the security. Being given rent guarantees, having an intermediary who can act on their behalf and being given the assurance that if things go wrong they will be able to get their possession, for example, is an essential and important way of ensuring that more properties are made available for people to rent. A vigorous private rented sector is an important aspect of a successful economy because of the sheer mobility that it can introduce into our labour market.

Social Housing (London Docklands)

13. **Mr. Spearing:** To ask the Secretary of State for the Environment what policy guidelines he has given to the London Docklands development corporation concerning the provision of social housing within its area of jurisdiction. [33385]

The Parliamentary Under-Secretary of State for the Environment (Sir Paul Beresford): The London Docklands development corporation is not a housing authority. As part of its broad regeneration remit, the corporation works in partnership with the local housing authorities, housing associations and others, to assist the provision of new and improved social housing.

Mr. Spearing: Does the Minister nevertheless agree that it is the Government's remit to regenerate the whole London Docklands development corporation area, which must involve provision of housing and social housing for which it has recognised an arrangement with the London borough of Newham? Why is the new urban village confined to 25 per cent. of social housing, a figure which on the Isle of Dogs caused a good deal of community difficulty and, as he knows, had political consequences?

Sir Paul Beresford: On this subject, the hon. Gentleman always shows the truth of the old saying that there are none so blind as those who cannot see. The evidence is on his doorstep. The success of regeneration, especially in housing, depends on mixed tenure, and mixed tenure has been the success of this area. Some 19,000 housing units have been completed and one third of them are essentially for rented and shared ownership—social housing. Some 7,700 local authority dwellings have

been refurbished. Before 1981, 95 per cent. of housing in the area was local authority owned and was in poor condition in the hands of the Labour local authorities.

Lady Olga Maitland: Will my hon. Friend confirm that the London Docklands development corporation is a great success story? It has transformed the face of docklands and has brought in £6 billion of private investment for the good of the local community.

Sir Paul Beresford: I recognise that my hon. Friend knows the area well, especially from the past. She has obviously seen the positive results and she is correct to say that £1.6 billion of public investment has drawn in £6 billion of private investment.

Mr. Simon Hughes: I think that the hon. Member for Sutton and Cheam (Lady Olga Maitland) has flown over the area.

Before the London Docklands development corporation is wound up, will the Minister look urgently at the fact that, as yet, within the area that the corporation controls, in which it is the planning control authority—

Mr. Spearing: That's right.

Mr. Hughes:—and where it owns much of the land, it has not nearly met the housing needs of the different local communities?

Mr. Spearing: That's right.

Mr. Hughes: Many of the people who bought their homes from local authorities are trapped with massive bills which they cannot pay. People are in shared ownership from which they cannot escape—

Mr. Spearing: That's right.

Mr. Hughes: I have never had such consensus. Most important of all, after 15 years of the development corporation, we still have among the highest unemployment rates in the country and most of the jobs in building local homes do not go to the local community.

Mr. Spearing: That's right.

Sir Paul Beresford: If I were the hon. Member for Southwark and Bermondsey (Mr. Hughes), I would be concerned about taking advice from the hon. Members sitting behind. [HON. MEMBERS: "That's right."] I think that there is a bit of mimicking going on. The reality is that the area is dramatically different from what it was in 1981. Many jobs have been brought in and jobs are available for the local people to utilise. In addition—this cannot be assessed—the difference in the economy between now and 1981 is absolutely dramatic, and that has had a knock-on effect. The hon. Gentleman referred to my hon. Friend the Member for Sutton and Cheam (Lady Olga Maitland). She has close knowledge of the area; it is not a case of flying over. She knows the area almost as well as the hon. Gentleman does.

Dredging (Wash)

14. **Mr. Bellingham:** To ask the Secretary of State for the Environment when he next expects to meet representatives of the National Rivers Authority to discuss dredging activities in the Wash. [33386]

Mr. Gummer: I have regular meetings with the NRA.

Mr. Bellingham: The Secretary of State will be aware that, in the near future, he will consider a number of new dredging licence applications for the extraction of sand from the Wash for use in the beach renourishment scheme on the Lincolnshire coast. Is he aware that, when dredging took place last autumn, there was serious damage to the brown shrimp fishery in the Wash? Will he confirm today that if, as a result of the new dredging applications, there is serious damage to the fishery, the dredging will stop? Will he also confirm that if there is any loss to the local fishermen, they will be paid proper compensation?

Mr. Gummer: Last year, it was necessary to take material from the Race bank to ensure that there was no damage by storms on the Lincolnshire coast. I think that my hon. Friend will agree that we need to use the soft protection increasingly effectively. He will know that I am determined that the use of this material should not destroy the environment or the fisheries. Although this is overwhelmingly a matter for my right hon. and learned Friend the Minister of Agriculture, Fisheries and Food, I will ensure that the environment is the first part of any decision that is made. I assure my hon. Friend that I shall do my best to protect his constituents' interests.

Waste Recycling

15. **Mr. Merchant:** To ask the Secretary of State for the Environment what progress has been made towards the Government's target of recycling 25 per cent. of reusable household waste. [33387]

Mr. Clappison: Measures in the Environment Bill will significantly boost the recycling of household waste.

Mr. Merchant: I congratulate my hon. Friend, and it is good to see him where he belongs—on the Front Bench. Does he agree that the proposed landfill tax will boost significantly the minimisation and recycling of household, industrial and community waste?

Mr. Clappison: I am grateful to my hon. Friend, and he is absolutely right about the impact of the landfill tax. The tax will improve the minimisation of waste, and will also aid the recovery and recycling of waste. What is more, it will do so without imposing regulations or extra costs on business. It is a green measure which justifiably bolsters the green reputation of my right hon. and learned Friend the Chancellor of the Exchequer.

Mr. William O'Brien: Will the Minister explain how he knows more about the recycling and saving of waste in the packaging industry than the people who operate in that industry? Will he accept that the proposals from V-WRAG—the Val Pak working representative advisory group—which are supported by 50 companies in the packaging industry, are better than the proposals made by his Department? Will he accept those proposals, and let us get on with salvaging waste in the packaging industry?

Mr. Clappison: I am afraid that the hon. Gentleman is not doing justice to the ambition that industry has shown to assist in the process of waste minimisation and the recovery and recycling of waste. The Government will listen to what the industry has said, but it has set ambitious targets and the hon. Gentleman has not done justice to the industry.

Mr. Clifton-Brown: Will my hon. Friend take into account what the industry's representative body,

V-WRAG, has had to say about the implementation of the European packaging directive? Will he look carefully to see if a multi-point implementation is better than a single-point implementation?

Mr. Clappison: Yes, my hon. Friend is right. It is important to listen to the industry, and we shall do so.

European Nuclear Waste Repository

16. **Mr. Campbell-Savours:** To ask the Secretary of State for the Environment what representations he has received on the development of a European nuclear waste repository. [33389]

Mr. Robert B. Jones: We have received no recent representations on this subject.

Mr. Campbell-Savours: My question has nothing to do with Nirex and the Minister need not answer in that context, as the Secretary of State has a quasi-judicial role to perform in the matter. Why cannot there be a European solution to a European problem—there is a problem in every member state in the EU—or an international solution to an international problem?

Mr. Jones: I am not entirely clear what the hon. Gentleman means by that. If he means that there should be scope for co-operation and for a pooled use of experience, that is a sensible point. If he wants us to turn our backs on our policy of self-sufficiency, I do not agree with him.

Water Supply

17. **Mr. Canavan:** To ask the Secretary of State for the Environment if he will arrange to meet the chairmen of the water companies to discuss quality and reliability of water supply. [33390]

Mr. Clappison: Only last week, my right hon. Friend the Secretary of State met leading figures in the water industry who reconfirmed the high reliability and quality of British water supply.

Mr. Canavan: Does the Minister realise that more than 12,000 consumers per year have their water supplies disconnected because they cannot afford to pay their water charges? Is he aware that that number has increased by 86 per cent. since privatisation, while the fat cats on the water boards have laughed all the way to the bank with massive salary increases and other perks? Will the Minister intervene to stop that scandal? Will he consider introducing legislation similar to that in Scotland, where it is illegal to disconnect people's water supply under such circumstances?

Mr. Clappison: The hon. Gentleman should be aware that disconnection takes place only as a last resort, that the numbers involved are very small and that supplies are usually disconnected for a very short period. The hon. Gentleman's question, which included hostility towards the water boards, illustrates the pathological hatred that the Opposition have towards the water industry. They completely disregard the industry's success in improving reliability and quality—both of which are now of a very high standard—and its overall success in winning business abroad and increasing investment at home. The real answer to the hon. Gentleman's question about quality and reliability is that both are good.

Mr. Nicholls: May I draw my hon. Friend's attention to a water authority that does not fit that pattern, South West Water Authority? On one particular weekend, the authority gave an increase of £67,000 to its managing director while ensuring that many people in my constituency could not even get water to come through their taps. Do not exceptional cases such as that bring the whole system into complete disrepute?

Mr. Clappison: My hon. Friend echoes comments that have already been made. As he must know, South West Water has special circumstances; the overall picture of the water industry—with which Opposition Members are unable to live—is of success, and improvement in water quality and reliability.

Atmospheric Pollution

18. **Mr. Flynn:** To ask the Secretary of State for the Environment what new proposals he has to reduce atmospheric pollution. [33391]

Mr. Gummer: The Government have brought forward provisions in the Environment Bill to implement a new framework for air quality management, and later this year we will publish our proposals for a national strategy for improving air quality.

Mr. Flynn: Is the Secretary of State not ashamed of that answer—the answer that was also given to my hon. Friend the Member for Pembroke (Mr. Ainger)? Some 17 months ago, a Select Committee drew the House's attention to the dangers of PM_{10}s. It was suggested then that they would cause 10,000 additional deaths each year—three times as many deaths as are caused by road accidents. There is also the problem of photo-chemical smog, which has caused three major incidents in this city over the past four years, and all the other problems of vehicle exhaust pollution. Is it not an utter disgrace that, after 16 years of this Government, hundreds—almost certainly thousands—of people in this city are being killed by the air that they breathe?

Mr. Gummer: The hon. Gentleman really ought to get the facts right—they are very clear. The amount of pollution in the air is falling, and we now have a European framework directive as a result of action led by this country. That directive is crucial. Much of the pollution caused by traffic in this country is blown over the channel, so we must make sure that it is seen as a European problem. We also have the Environment Bill, which gives us the power to act. Moreover, we are giving local authorities much more power to deal with the matter locally. The hon. Gentleman must know the facts before he stands up and pontificates.

Sir Peter Emery: Is my right hon. Friend aware that most people, especially those affected by asthma, are praising the lead that Britain has taken? Having secured the regulations, however, will he try to ensure that the regulations are observed and properly monitored, and that when they are broken, prosecutions are quickly brought? Is not what worries many people the breach of regulations—even those that already exist?

Mr. Gummer: My right hon. Friend is right. That is why we are increasing the number of monitoring stations. We have a number of temporary stations, and we are introducing local authority monitoring stations into the network. It is why we are giving local authorities specific and direct powers to deal with the worst problems, and

why we and no other Government introduced monitoring which enables us to announce to the public when the weather makes it likely that asthma sufferers will experience particular difficulties. That is why, next year, we shall have even tougher measures to deal with pollution from road vehicles, and that is why the European Community is dealing with these matters at European level—which is the only sensible way in which to deal with pollution that knows no national boundaries. My right hon. Friend is quite right; what he says contrasts starkly with questions of this type.

Mr. Tipping: Will the Secretary of State look again at atmospheric pollution from the generating industry? In particular, will he consider the Drax power station area, where flue gas desulphurisation equipment has been installed at massive cost but is not running, while dirtier plant is running? Is that not a crazy system, and is there not a need for reform?

Mr. Gummer: When I last visited Norway, the Green movement there welcomed me with a specially written English leaflet saying that Britain had done better than any other country in regard to sulphur, that we were doing better than Norway herself, and that, having not been prepared to sign up to the 30 per cent. club in advance, we had done better than that. The hon. Gentleman is right to draw attention to the generating industry: overall, it has contributed greatly to Britain's new reputation as the clean man of Europe.

Mr. Ian Bruce: My right hon. Friend will know that, in the past, it has been very difficult to detect particulates—the fine particles in the air that emanate from diesels and the like. I am sure that he will welcome the news that AEA Technology at Winfrith, in my constituency, has just invented and developed a process to monitor particulates. Will the Department look carefully at the new equipment, and ensure that it is available both to the Department and to local authorities as soon as possible?

Mr. Gummer: I should be happy to consider that. I should also remark that atomic energy provision has contributed considerably to the reduction of pollution—atomic energy stations that the Labour party would close down.

Single Regeneration Budget

19. **Ms Church:** To ask the Secretary of State for the Environment when he intends to issue regional guidance for the second round of bidding for the single regeneration budget. [33392]

Sir Paul Beresford: The bidding guidance for the second round of the single regeneration budget challenge fund was issued on 12 April 1995.

Ms Church: I thank the Minister for his answer. I am sure that he will agree that there is an urgent need for regeneration funding in Dagenham and other parts of east London. Will he ensure that the guidelines provide clear criteria so that local authorities do not waste vital resources in the bidding process and, of equal importance, that the criteria provide for long-term regeneration rather than short-term expediency?

Sir Paul Beresford: As the hon. Lady is aware, her area has been successful in the past, so it will learn from that. I understand that it is making bids again, so obviously it has accepted the positiveness of that approach. One of the advantages of the SRB is its flexibility. It is horses for courses, so we must have sufficient flexibility to allow some really innovative ideas to come forward. I do not want to be restrictive in any way.

Mr. Jacques Arnold: I congratulate my hon. Friend and his colleagues on the development of the single regeneration budget. My only objection to that budget is the fact that, so far, no bid has been successful in Gravesham. The problem that my hon. Friends encounter in Gravesham is that the Labour local council has been pretty incompetent in putting together its bids. May I ask my hon. Friend to consider the bid for east Gravesend and give every encouragement to the Labour council to get a bid into proper order, so that we get the developments there that we have always needed, and that the Conservative Government would like to bring about?

Sir Paul Beresford: We should encourage the hon. Gentleman, with his expertise, to use the expertise of the private sector in his area and to help that council to get it together—or get it together without, necessarily, the local authority.

Mr. Vaz: Will the Minister accept that the first round of bidding under the SRB began as a lottery and ended in farce? Why do the Government consistently refuse to publish a clearly defined regional regeneration statement concerning the Government's policy? Does the Minister accept that such action will save the enormous amount of time, effort and resources that are currently being spent on the part of those who bid? Or is the truth of the matter that the Government simply have no regional regeneration policy?

Sir Paul Beresford: The hon. Gentleman has constant tunnel vision on matters such as that. He appears to believe that the local authorities have the only way of doing things. The local authorities have failed, and the SRB is so broad that it allows for bright ideas, innovation and success.

If the hon. Gentleman feels that the first round was a failure, he should consider the results, and the fact that we are building on the approach that was previously adopted. The success of the approach is the reason why we have had so many strong bids this time. The competition is stronger, and the bids are better, this time, and they will improve, step on step, throughout the years.

Regional Government

21. **Mr. Spring:** To ask the Secretary of State for the Environment what representations he has received about the need to introduce regional government in the east of England. [33394]

Mr. Gummer: None. I detect no desire for regional government in East Anglia, but I do find anger at the Labour party's suggestion that Scottish Members of Parliament should vote on East Anglian issues while East Anglian Members of Parliament could have no say on Scottish issues.

Mr. Spring: Does my right hon. Friend and neighbour agree that the last thing that people in East Anglia want

is an additional new layer of local government on top of parish councils, district councils and county councils? Does he share my opinion that that is simply a device from our opponents to impose more useless bureaucracy on our people?

Mr. Gummer: I suspect that my hon. Friend's message has been communicated to the Labour party. It is having some difficulty in maintaining its view on regional government in the teeth of public opposition. However, if it drops its view on regional government, it will have to explain why Members of the House will be divided into two classes—those who can vote on United Kingdom matters and those who can vote only on English matters.

Mr. Tony Banks: There is plenty of demand—indeed, a need—for regional government in England. We certainly need it in London. Why can we not have a Greater London authority based at county hall where it belongs, rather than using county hall as a venue for rave parties?

Mr. Gummer: We now see the real face of Labour; it does not change at all. That overspending body was lost without any regret. The Labour boroughs do not want to see the return of the Greater London council. They have learnt that, through co-operation with their neighbours, they can meet the strategic needs of the capital city. As the Minister with responsibility for London, I must say that we deliver a better deal now than the GLC ever did.

Housing Renovation (Lancashire)

22. **Mr. Gordon Prentice:** To ask the Secretary of State for the Environment how many homes in Lancashire require major renovation to bring them up to acceptable standards. [33395]

Mr. Clappison: On the basis of the data from the most recent returns, it is estimated that 55,000 dwellings in Lancashire were statutorily unfit on 1 April 1994. However, more than a third of them could be made fit by the owners at relatively little expense.

Mr. Prentice: Does the Minister appreciate that 65 per cent. of the houses in my constituency were built before 1919 and more than 40 per cent. need improvement work in order to bring them to acceptable standards? Given that background, how can the Government propose, with a straight face, to do away with mandatory improvement grants and leave it to the discretion of local councils who do not have the cash or the resources to make any kind of impact?

Mr. Clappison: I am interested to hear the hon. Gentleman's comments, because I would have thought that local authorities would be able to take full advantage of the proposals in the White Paper and allocate resources where they were most needed through the new home repair grants and the disabled facilities grant. Home owners can take the opportunity to repair their homes, and they will be able to do so increasingly as a result of the prosperity that we are creating in Lancashire and elsewhere through sustainable economic growth.

Long-Term Unemployed (Recruitment) (Northern Ireland)

3.30 pm

Mr. Michael Connarty (Falkirk, East): I beg to move,

That leave be given to bring in a Bill to amend the Fair Employment (Northern Ireland) Act 1976 to encourage recruitment of the long-term unemployed.

I wish to say something about the context of the Bill. Much has been done in this area already in Northern Ireland. In fact, "Labour Research" of May 1995 published an article which said that Northern Ireland leads the way on fairness laws. It pointed out that Northern Ireland is doing much better with fairness laws than we are doing with race discrimination laws on the United Kingdom mainland.

The Fair Employment (Northern Ireland) Act 1976 was amended by section 55 of the Fair Employment (Northern Ireland) Act 1989 to add a new section 37C to encourage applications from under-represented communities and to approve any action taken in pursuit of affirmative action and to bring it within the law. Section 58 of the 1989 Act defined the affirmative action as

"employment of members of the Protestant or members of the Roman Catholic communities in Northern Ireland".

My Bill would add a new section 37D to the 1976 Act, which would extend permission for "affirmative action" to acts done

"in preferring those persons who have been unemployed for the previous year or longer"

in pursuance of affirmative action.

It is important to point out what the legislation would not do. It would not force employers to recruit, but would allow them to recruit if they so wished and if they thought that it was in the interests of their business and the greater cause of affirmative action to do so. It would benefit both communities. It is very sad to have to say that there are two communities; I think that we are talking here about people from both traditions, and hopefully one day they will live in the same community.

The Bill would allow the possibility of employment for many people who have been in excellent training schemes. I have visited Northern Ireland in the past few months to look at those training schemes. The problem is that, although many people in Northern Ireland are highly trained, they are still among the long-term unemployed. I have seen people take the trouble to take higher national and graduate courses and training schemes, only to return once again to the long-term unemployed register.

More importantly, the Bill will allow deep pockets of long-term unemployment to be targeted by foreign assistance. A Bill has just passed through the House of Representatives in the United States which says that the International Fund for Ireland money must be used in areas of high unemployment. The reality is that assistance cannot be targeted at the moment without the amendment that I propose to the Act.

The Bill would also allow for intermediate employment schemes, such as Glasgow Wise, which I have heard praised by those from Northern Ireland who have seen them in action. Those schemes could be transferred to Northern Ireland and targeted at the long-term unemployed.

More importantly, why should we do that for the long-term unemployed in Northern Ireland when there are long-term unemployed elsewhere? The long-term unemployed in Northern Ireland are a symbol and a reality of the failure of the policies in Northern Ireland. I believe that they are a barrier to the long-term peace process in Northern Ireland. Despite the £3.4 billion transfer to Northern Ireland, there is still a massive surplus of long-term unemployed.

It is said that two thirds of the unemployed are to be found in Roman Catholic communities. I thank hon. Members who are Ulster Unionists for providing details of the problems in their constituencies. In East Antrim, 50 per cent. of the people in Rathcoole are unemployed and benefit-dependent. South Belfast is symbolically seen as a well-off community, but there is deep unemployment in Taughmonagh, and in the Village area on the Donegall road. I know from hon. Members of the situation in North Down. Unemployment exists throughout Northern Ireland. It has a large long-term employed population, who will have no stake in the future peace unless they can share in the peace dividend.

The world and the House looked on in the past few weeks, as we saw displays of discontent and the burning of vehicles over a particular issue, fuelled by the anger of the long-term unemployed. We saw also sectarian parades undertaken not out of pride, as they should be, but in anger against another community. The members of the other tradition are always seen as enjoying prosperity rather than the tradition to which one belongs, which is an indictment of how little has been done by the Government.

One factor contributing to long-term peace will be demilitarisation—getting arms off the street. Others include a return to the rule of law, the withdrawal of paramilitary policing, democratic free elections on a non-confessional basis and the right to work. In proposing my Bill, I ask for only one additional cautious step to be taken.

3.38 pm

Mr. Michael Brown (Brigg and Cleethorpes): I apologise to the hon. Member for Falkirk, East (Mr. Connarty) for opposing his Bill, because I do not challenge his motives. The Bill's objectives are entirely laudable, but I have a severe problem with the hon. Gentleman seeking to introduce legislation that would have the effect of reforming and amending the Fair Employment (Northern Ireland) Act 1976.

That legislation is an essential foundation for fair employment in Northern Ireland that has to do with discrimination—principally on religious grounds. In seeking to amend the 1976 Act as a way of achieving entirely laudable objectives, the hon. Member needs to think through the consequences.

When the 1976 Act came before the House, it was introduced by the then Minister of State, Northern Ireland Office, the right hon. Member for Salford, East (Mr. Orme), not only as a party political measure but after considerable discussion through the usual channels and in a working party established to consider fair employment in Northern Ireland.

That Committee was originally chaired by my right hon. Friend the Member for Southend, West (Mr. Channon), and subsequently by Mr. William van

Straubenzee, then Member of Parliament for Wokingham and also a Northern Ireland Minister. That working party devised the basis for the Bill introduced by the right hon. Member for Salford, East on 16 February 1976.

The debate on the Floor of the House involved the then Labour Minister and Conservative Opposition spokesman, and a number of hon. Members expressed grave concern at even the passage of that legislation. In view of the assurances then given by the right hon. Member for Salford, East, it would be wholly wrong to use the 1976 Act as a vehicle for the objectives of the hon. Member for Falkirk, East.

I say that because much feeling was expressed, especially by my hon. Friend the Member for Southend, East (Sir T. Taylor), who then represented Glasgow, Cathcart. He said that it was wrong for the Government to bring forward legislation relating solely to fair employment in Northern Ireland. He felt that there was religious discrimination throughout the country. I am prepared, of course, to acknowledge that long-term unemployment in Northern Ireland is far too high. I note that the hon. Members for Antrim, East (Mr. Beggs) and for Upper Bann (Mr. Trimble) are in their places.

No one can deny that long-term unemployment in Northern Ireland is a problem. It is no more of a problem, however, than long-term unemployment in my constituency, which suffered tremendous redundancies in the 1980s in the steel and fishing industries. I have always maintained that, when legislating for a certain part of the kingdom, we should always have regard to the implications for other parts of it.

To introduce a Bill to amend the 1976 Act would open up a can of worms, bearing in mind the difficulties that the House encountered when the Act was passing through the House. More importantly, an amending Bill would create unfairness in the rest of the kingdom, especially in constituencies such as mine, where there are many long-term unemployed.

Legislation of the sort proposed by the hon. Member for Falkirk, East should not be tagged on to existing legislation. The hon. Gentleman referred to the 1989 amendments to the 1976 Act. I had grave misgivings about those amendments. I felt that we were exposing ourselves to undoing all the delicate arguments that were advanced during 1974-75 before the 1976 Act went on to the statute book. I was anxious in 1989, and I would be loth to use a second opportunity in less than 20 years to use the 1976 Act as a vehicle for what I agree are laudable objectives. That is not the way to proceed.

I remind the hon. Member for Falkirk, East of the views expressed on Second Reading of what became the 1976 Act by a former Member, the right hon. J. Enoch Powell. He and his party opposed the measure. Mr. Powell said from the Unionist Bench that he felt that any opportunity that the House used to legislate separately for employment opportunities in Northern Ireland, be it to improve the prospects of the long-term unemployed or to improve the lot of someone who might suffer discrimination, would be more likely adversely to affect his constituents than to assist them. His view was endorsed by many Members representing the Official Unionist party, and by the late Sir James Kilfedder. It was taken up by other Members from across the political divide in Northern Ireland.

We should be extremely wary before we use an opportunity that would be presented by the Bill to open up a can of worms. I suggest to the hon. Member for Falkirk, East that the correct approach would be to introduce a Bill concerned solely with promoting long-term unemployment opportunities throughout the United Kingdom. Many of my constituents worked in the steel industry for 20 or 30 years, and they have been unemployed for five or 10 years. The same can be said of those who worked in the fishing industry in Grimsby.

It would not be fair to them for the House to legislate especially for Northern Ireland while they continue to suffer employment. It is with a heavy heart, and with great regret, that I ask the House not to grant the hon. Gentleman's leave to bring in his Bill.

Question put:—

The House divided: Ayes 111, Noes 53.

Division No. 210] **[3.45 pm**

AYES

Adams, Mrs Irene
Ashton, Joe
Austin-Walker, John
Banks, Tony *(Newham NW)*
Beggs, Roy
Beith, Rt Hon A J
Brown, N *(N'c'tle upon Tyne E)*
Bruce, Malcolm *(Gordon)*
Campbell, Menzies *(Fife NE)*
Campbell, Ronnie *(Blyth V)*
Campbell-Savours, D N
Canavan, Dennis
Chidgey, David
Clwyd, Mrs Ann
Connarty, Michael
Corbyn, Jeremy
Cox, Tom
Cunliffe, Lawrence
Cunningham, Jim *(Covy SE)*
Dafis, Cynog
Dalyell, Tam
Dixon, Don
Eagle, Ms Angela
Eastham, Ken
Faulds, Andrew
Field, Frank *(Birkenhead)*
Fyfe, Maria
Galloway, George
Gapes, Mike
Garrett, John
Godman, Dr Norman A
Graham, Thomas
Hanson, David
Hardy, Peter
Hill, Keith *(Streatham)*
Hogg, Norman *(Cumbernauld)*
Hood, Jimmy
Hoon, Geoffrey
Howarth, George *(Knowsley North)*
Hughes, Kevin *(Doncaster N)*
Hutton, John
Jackson, Glenda *(H'stead)*
Jackson, Helen *(Sheffld, H)*
Jones, Lynne *(B'ham S O)*
Jones, Martyn *(Clwyd, SW)*
Jones, Nigel *(Cheltenham)*
Kennedy, Charles *(Ross,C&S)*
Khabra, Piara S
Kilfoyle, Peter
Kirkwood, Archy
Lewis, Terry
Litherland, Robert
Lynne, Ms Liz
McAllion, John
Macdonald, Calum
McKelvey, William
Mackinlay, Andrew
Maclennan, Robert
McMaster, Gordon
McNamara, Kevin
Madden, Max
Mahon, Alice
Marshall, David *(Shettleston)*
Marshall, Jim *(Leicester, S)*
Martin, Michael J *(Springburn)*
Martlew, Eric
Michael, Alun
Michie, Bill *(Sheffield Heeley)*
Miller, Andrew
Molyneaux, Rt Hon James
Morley, Elliot
Mowlam, Marjorie
Mullin, Chris
Murphy, Paul
O'Brien, William *(Normanton)*
Parry, Robert
Prentice, Gordon *(Pendle)*
Purchase, Ken
Rendel, David
Roche, Mrs Barbara
Rooker, Jeff
Ross, William *(E Londonderry)*
Rowlands, Ted
Salmond, Alex
Sedgemore, Brian
Sheerman, Barry
Simpson, Alan
Skinner, Dennis
Smith, Llew *(Blaenau Gwent)*
Spearing, Nigel
Spellar, John
Steinberg, Gerry
Stevenson, George
Stott, Roger
Sutcliffe, Gerry
Taylor, Matthew *(Truro)*
Timms, Stephen
Tipping, Paddy
Touhig, Don
Trimble, David
Turner, Dennis
Tyler, Paul

Vaz, Keith
Warsing, Robert N
Watson, Mike
Wicks, Malcolm
Williams, Alan W *(Carmarthen)*
Winnick, David
Wise, Audrey
Worthington, Tony
Young, David *(Bolton SE)*

Tellers for the Ayes:
Mr. Harry Barnes and
Mr. John Gunnell.

NOES

Alexander, Richard
Arnold, Jacques *(Gravesham)*
Banks, Matthew *(Southport)*
Banks, Robert *(Harrogate)*
Biffen, Rt Hon John
Booth, Hartley
Bowden, Sir Andrew
Boyson, Rt Hon Sir Rhodes
Bruce, Ian *(Dorset)*
Butterfill, John
Carlisle, Sir Kenneth *(Lincoln)*
Carrington, Matthew
Chapman, Sir Sydney
Colvin, Michael
Deva, Nirj Joseph
Duncan, Alan
Duncan-Smith, Iain
Dunn, Bob
Durant, Sir Anthony
Emery, Rt Hon Sir Peter
Fry, Sir Peter
Garel-Jones, Rt Hon Tristan
Gorst, Sir John
Grant, Sir A *(SW Cambs)*
Greenway, Harry *(Ealing N)*
Hamilton, Rt Hon Sir Archibald
Hampson, Dr Keith
Harris, David
Hawkins, Nick
Hunter, Andrew
Hurd, Rt Hon Douglas
Lawrence, Sir Ivan
Maitland, Lady Olga
Montgomery, Sir Fergus
Neubert, Sir Michael
Nicholls, Patrick
Nicholson, David *(Taunton)*
Rathbone, Tim
Redwood, Rt Hon John
Riddick, Graham
Robathan, Andrew
Rowe, Andrew *(Mid Kent)*
Shaw, David *(Dover)*
Smith, Sir Dudley *(Warwick)*
Speed, Sir Keith
Spring, Richard
Stanley, Rt Hon Sir John
Sweeney, Walter
Thompson, Sir Donald *(C'ter V)*
Thornton, Sir Malcolm
Viggers, Peter
Waterson, Nigel
Whitney, Ray

Tellers for the Noes:
Mr. Michael Fabricant and
Mr. Michael Brown.

Question accordingly agreed to.

Bill ordered to be brought in by Mr. Michael Connarty, Mr. Harry Barnes, Mr. Richard Burden, Dr. Norman Godman, Miss Kate Hoey, Mr. Norman Hogg, Mr. Jim Marshall, Mr. David Marshall, Mr. Calum Macdonald, Mr. William O'Brien, Mr. Mike Watson and Mr. Jimmy Wray.

LONG-TERM UNEMPLOYED (RECRUITMENT) (NORTHERN IRELAND)

Mr. Michael Connarty accordingly presented a Bill to amend the Fair Employment (Northern Ireland) Act 1976 to encourage recruitment of the long-term unemployed: And the same was read the First time; and ordered to be read a Second time upon Friday 20 October, and to be printed. [Bill 171.]

Sir Alan Urwick

3.58 pm

The Lord President of the Council and Leader of the House of Commons (Mr. Tony Newton): I beg to move,

That this House expresses its appreciation to Sir Alan Urwick, KCVO, CMG, for his 43 years of distinguished public service, including six years as Serjeant at Arms; and extends to him its best wishes for his retirement.

The motion is in the name of the Prime Minister, the Leader of the Opposition and the leaders of all the other parties in the House. This is one of those occasions when Members in all parts of the House, as is evidenced by the signatures to the motion, can put aside party divisions and join together in paying tribute to a distinguished servant of the House who is shortly to leave us.

Unlike his predecessors, Sir Alan came to the House as Serjeant at Arms not from a background in the armed services but from the diplomatic service, which he joined in 1952. After tours of duty in western Europe, the middle east, Moscow and Washington, he reached the highest ranks of his profession, serving as Her Majesty's ambassador in Amman and in Cairo, and as high commissioner in Ottawa.

Sir Alan took up his appointment as Serjeant at Arms when he left the diplomatic service in 1989. He rapidly found out what life is like in this place during the summer recess: the Serjeant's usual quarters were uninhabitable, because the builders had taken them over, so he had to set up his office in a corner of one of the Committee Rooms. [HON. MEMBERS: "Oh yes."] As I sense some other hon. Members may feel, that is a familiar experience, and one which his successor is about to inflict on me and my secretary.

Over the past six years, Sir Alan has responded with the courtesy and skill we would expect of a professional diplomat to the many and varied demands which the House and its Members have made of him personally and of his Department. The security of the House has continued to be one of his major responsibilities, even in the more relaxed atmosphere of recent months, and the pressure on accommodation has been unremitting. I know that you, Madam Speaker, and the whole House have appreciated the way in which Sir Alan has dealt with those continuing concerns, and the effort he has devoted to the service of Members.

One of the major changes with which Sir Alan has had to cope during his term of office has been the implementation of the Ibbs report, which led to the House taking control of its own works programme. The Parliamentary Works Directorate has now been established as an integral part of the Serjeant's Department, and the evidence of its activities is all around. The ease with which that considerable change has been brought about reflects much credit on all those involved, Sir Alan not least among them.

As we say farewell to Sir Alan, we welcome as his successor Peter Jennings, the Deputy Serjeant, who came here nineteen years ago as Major Jennings of the Royal Marines, and is well known to us all.

I am sure Members on all sides will join me not only in expressing our thanks to Sir Alan, but in wishing him and his wife Marta a long and happy retirement.

4.1 pm

Mrs. Ann Taylor (Dewsbury): On behalf of Her Majesty's Opposition, the Ulster Unionists and the Scottish National party, I join the Leader of the House in paying tribute to the Serjeant at Arms on his retirement. We thank him for all his work.

As the Leader of the House has said, the motion has been signed by all parties, because in the past six years Sir Alan has given service to Members from all sides of the House and, indeed, to our staff as well. His greatest achievement has been to help make substantial progress in providing additional and improved accommodation for Members and the Departments of the House. However, perhaps Sir Alan is best known to the public for his distinctive dress, which is often the subject of comment and question from our constituents when they visit the House.

After a long and distinguished career in foreign service, to which the Leader of the House has referred, Sir Alan was appointed Serjeant at Arms. One of his first acts was to hand over the Serjeant at Arms' residence in Speaker's Court, so that members of the shadow Cabinet could be provided with more reasonable office accommodation in the Palace. Perhaps I should declare an interest, as I have a room in that block. My room is not as spacious as that of my right hon. Friend the Member for Kingston upon Hull, East (Mr. Prescott), who works in the old drawing room. It might be indiscreet to go further and reveal who is working in the Serjeant's old kitchen.

Sir Alan's family motto is "Verum nobilissimum est" which, as you know, Madam Speaker, means "Truth is the most noble". Perhaps we should keep those words in mind when we debate standards in public life.

During his six years in the House, Sir Alan has overseen enormous changes in the services required from his Department, and the size of the estate it administers. In the post-Ibbs review era, Sir Alan has played a full part in servicing both the Accommodation and Works Committee, and the Administration Committee.

I hope that Sir Alan and the House will not mind if I use this occasion to pay tribute to Sir Alan's staff for the responsive way they react to our requests, and also to wish his successor well. I am sure that the whole House will wish to be associated with the remarks of the Leader of the House. We all want to thank Sir Alan for his efforts on our behalf, and to wish him well in the future.

4.5 pm

Mr. A. J. Beith (Berwick-upon-Tweed): On behalf of my right hon. and hon. Friends in the Liberal Democrat party—and indeed, the other parties not mentioned by the hon. Member for Dewsbury (Mrs. Taylor)—I extend our best wishes and thanks to Sir Alan Urwick for his most careful and courteous attention to the requirements of hon. Members and the care that he has taken over many important matters, in particular security.

When it comes to the duty of the Commission to advise on the appointment of a Serjeant at Arms, there is a difficult balance to strike between the relative advantages of a background in military service, which has been the norm in that post; the advantages of promoting from within the service of the House, a practice that is also important; and bringing in experience from elsewhere.

It is a difficult balance, but I feel that we were right in advising that a period under the stewardship of Sir Alan would be valuable for the House, bringing as it did an outside experience at a time when it was necessary to look again at some of our traditional ways of doing things. That experience has been valuable to the House, and we are grateful for it. We wish his successor well, confident that he will discharge the job in an extremely efficient manner.

Question put and agreed to.

Resolved,

That this House expresses its appreciation to Sir Alan Urwick, KCVO, CMG, for his 43 years of distinguished public service, including six years as Serjeant at Arms; and extends to him its best wishes for his retirement.

Standards in Public Life

Madam Speaker: It will, I think, be for the convenience of the House if we debate together motions Nos. 3 to 8. I have to tell the House that I have selected the three amendments to motion No. 7—(a), (b) and (c) in the name of the hon. Member for Dewsbury (Mrs. Taylor)—and sub-amendment (x) to amendment (a), which is in the name of the hon. Member for Caithness and Sutherland (Mr. Maclennan).

At the end of the debate, I will first put the Question on motion No. 3. Then I will ask the Leader of the House to move successively motions Nos. 4, 5 and 6. When each of those has been disposed of, I will ask the Leader of the House formally to move motion No. 7. Then I will call Mrs. Taylor formally to move her amendment (a), followed at once by Mr. Maclennan formally to move sub-amendment (x). The House will then take its decisions in reverse order, as we always do—first, that sub-amendment (x) be made to amendment (a); then that amendment (a), with or without amendment, be made to the main Question.

It is important to recognise that, if amendment (a) is agreed to, amendment (b) will fall. If amendment (a) is not agreed to, I will immediately call Mrs. Taylor formally to move amendment (b). When amendment (b) is disposed of, I will immediately call Mrs. Taylor formally to move amendment (c).

When amendment (c) is disposed of, I will put to the House the main Question, as amended or not, as the case may be. Finally, I will call the Leader of the House formally to move motion No. 8.

Having given that introduction to our procedures today to ensure that all hon. Members are quite clear about what they are debating and what they will be dividing on at the end, I have to tell the House that I must limit Back-Bench speeches to 10 minutes.

4.7 pm

The Lord President of the Council and Leader of the House of Commons (Mr. Tony Newton): I beg to move,

That the appointment of a Parliamentary Commissioner for Standards be set in hand under arrangements to be made by Madam Speaker on the advice of the House of Commons Commission and in accordance with the recommendations of the Select Committee on Standards in Public Life.

Madam Speaker: With this it will be convenient to discuss the following: Motion 4—

That, with effect from the beginning of the next Session, a new Select Committee on Standards and Privileges should be established to take over the existing functions of the Committee of Privileges and the Select Committee on Members' Interests and to consider complaints concerning Members' conduct referred to it by the Parliamentary Commissioner for Standards.

Motion 5—

That this House endorses the principle of a Code of Conduct, and instructs the appropriate Select Committee to prepare such a draft Code for approval as soon as possible, taking into account the suggestions of the Nolan Committee and any relevant overseas analogues; and whilst restating its commitment to the objectives of the Resolution of the House of 15th July 1947 relating to Privileges, accepts the need to review its wording in the context of the work to be undertaken on the draft Code.

Motion 6—

That, with effect from the beginning of the next Session, the Resolution of the House of 12th June 1975 relating to Members' Interests (Declaration) (No. 2) be amended by leaving out the words "the giving of any written notice or".

Motion 7—

That this House endorses the need for an examination of the recommendations of the Nolan Committee relating to consultancies (including multi-client consultancies) and disclosures in the Register of Members' Interests; and instructs the Select Committee on Standards in Public Life to conduct such an examination and to seek to bring forward proposals on these matters by the end of the current Session.

Amendments (a), (x), (b), (c), (y) and (d) to motion 7.

Motion 8—

That this House agrees with the recommendations contained in the First Report from the Select Committee on Standards in Public Life (House of Commons Paper No. 637) relating to—

(1) the principal duties of the Parliamentary Commissioner for Standards (paragraph 14);

(2) the method of removal from office of the Commissioner (paragraph 23);

(3) the preparation of amendments to Standing Orders relating to a Select Committee on Standards and Privileges (paragraph 40);

(4) the preparation of a draft Code of Conduct (paragraph 47);

(5) the preparation of guidance on registration and declaration of interests (paragraph 50);

(6) a review of the law relating to bribery of Members (paragraph 52); and

(7) updating, and improving the availability of, the Register of Members' Interests (paragraph 66).

Mr. Newton: I am sure, Madam Speaker, that the admiration for you felt by the whole House will be increased further by your exposition.

I shall not speak at length, not because the subject is unimportant, but for three obvious reasons: this is a relatively short debate, designed to enable the House to take some initial decisions paving the way for further work; many hon. Members wish to speak; and as the motions are precisely in the terms recommended by the Select Committee which I chaired, the case I would wish to make will already be familiar to the House from the report that is before it.

The Select Committee's terms of reference, set by the House on 6 June, were to consider the first report of the Nolan committee

"so far as it relates to the rules and procedures of the House; to advise on how its recommendations might be clarified and implemented; and to recommend specific resolutions for decision by the House".

It was asked to

"report as soon as possible"

and, in any case,

"to make an interim report not later than Friday 7 July".

It was, frankly, a bit of a close-run thing. We agreed our report at about 7 pm on 6 July, after sitting 14 times in 14 sitting days, which I am told is an average of about two hours a day and something of a record. However, as a result, the report is a good deal more substantial than anyone might reasonably have expected, on that time scale, when the Committee was established.

For that, I hope that I may be allowed to pay tribute to the members of the Committee, not only for the amount of work they did, which is no doubt obvious from what I have just said, but for the way in which they did it, which

made my task as Chairman infinitely easier, even in the relatively few areas where disagreements could not be fully resolved.

The result is that, of the six resolutions to which I am speaking, five were agreed unanimously. It is to those five that I shall speak, briefly, before coming at a little greater length to the area that proved more contentious. For the convenience of the House, I shall use the numbering not from the Committee's report but from the Order Paper.

Motion 3 invites the House to agree that work should go forward on the appointment of a Parliamentary Commissioner for Standards, on the basis set out in the Select Committee report. The proposal does, I hope, meet some—I hope all—of the sensitivities reflected in our debate on 18 May, in particular in indicating that the Commissioner would be appointed by the House and that he would operate under the general powers of a Select Committee of the House.

Motion 4 invites the House to agree the replacement, with appropriate transitional arrangements for specific inquiries already in progress, of the Committee of Privileges and the Select Committee on Members' Interests by a single Select Committee on Standards and Privileges. For reasons set out in paragraphs 27 to 41 of the report, we believed that to be better than the existing arrangements, and better than what we felt were the rather over-complex arrangements proposed in the Nolan report.

At this stage, I should like to pay tribute, briefly but wholeheartedly, to my hon. Friend the Member for Wealden (Sir G. Johnson Smith), who is Chairman of the Select Committee on Members' Interests, and the members of that Committee for the work that they have done over the years.

Mr. John Evans (St. Helens, North): Will the Leader of the House make it clear that, in our recommendations on the formation of the new Select Committee, we stated that we believed that it should be substantially smaller than the present Privileges Committee?

Mr. Newton: Yes, I am happy to confirm what the hon. Gentleman says. He will know that, having chaired the Privileges Committee, I feel strongly that 17 is too large a number for a body to do the work that the Committee is asked to undertake. I believe that that view is shared by virtually all members of the Privileges Committee, and that, whatever else happens, there will probably be a general welcome for the suggestion that a Committee doing that kind of work should comprise fewer than 17 members. I am grateful to the hon. Gentleman.

Motion 5 invites the House to commission work towards a code of conduct, drawing on what is said in the Nolan report and, as appropriate, from other sources, including "Erskine May". I think that that suggestion came initially from the hon. Member for Dewsbury (Mrs. Taylor) in her evidence for the report. The motion envisages, I think sensibly, that such a code would be in fairly broad terms and would be supported, as it would have to be, by more detailed rules such as those which, for example, currently govern the Register of Members' Interests.

Motion 6 picks up what is in effect a Nolan recommendation—although not clearly presented as such in the report—for further strengthening of our existing rules on declaration in relation to the Order Paper. It extends the present requirement for specific indication, which is only for the lead signatures on an early-day motion, to all early-day motion signatures, written or oral questions and amendments to Bills. I hope that the House will regard that as a sensible extension.

Passing by motion 7 for the moment, motion 8 seeks the House's endorsement of seven of the Committee's recommendations which do not in themselves require the passage of a specific resolution. They are set out in the motion by reference to the relevant paragraphs of the report.

I return to motion 7, which concerns the Nolan committee recommendations relating to consultancies, including in particular consultancies with what are described as multi-client lobbying firms, and the disclosure of contracts, including an indication of the remuneration involved.

In essence, the view of the Select Committee, by a clear majority, was that, in the time available—even with the effort that it put in—it was not possible to fulfil the House's remit to clarify the Nolan recommendations to enable the Committee to put to the House well-defined and workable propositions on which it could sensibly make decisions, and that the right course of action was therefore that proposed in motion 7.

The many definitional and line-drawing problems, which led the Committee to that conclusion, are set out in paragraphs 77 to 83 of the report. I shall not rehearse them at length, but simply draw attention to some of them. For example, at various points in his report, Lord Nolan uses expressions such as "the provision of services in their capacity as Members", "activities in Parliament", and "Parliamentary services".

It is not clear whether those expressions mean the same thing or different things, and none of them is further defined. For example, is any of them meant to include such activities as casual journalism or broadcasting? Those matters, in my view and in that of the Committee, need to be carefully thought through.

Ms Angela Eagle (Wallasey): Can the right hon. Gentleman say whether that phraseology means that the Committee intends to go back and look at the detail, so that it can implement the Nolan recommendations; or that it will examine the Nolan recommendations with a view to changing them, especially in respect of the declaration of amounts and the banning of multi-client consultancies, as recommended by Lord Nolan?

Mr. Newton: I shall return to the matter in moment, but the point that I am seeking to make is that, when there are three phrases—to apply it to the example that I am touching on—which do not self-evidently mean the same thing, and they are used in different ways in different parts of the report, and are nowhere further defined, there is some significant difficulty in determining what the House would be deciding, unless some further work is done on that.

That is a key point, and on that would depend the House's ability to take a decision about any of the matters to which the hon. Lady has adverted, in the clear knowledge of what precisely it was doing. That is the problem that I am seeking to address.

Mr. Stanley Orme (Salford, East): On that point, is it not a fact that the recommendations which have been made, especially in our amendments, clarify the situation?

[Mr. Stanley Orme]

The principle goes before the House; the House accepts it. There may have to be some small alteration, but surely that is the way to proceed.

Mr. Newton: I will briefly comment on the amendment in a moment, to which I note that the right hon. Gentleman's name is added, but I am sure that the hon. Member for Dewsbury will speak to the amendments that she has tabled. I imagine that she intends to do so. If I may, I would prefer to listen to what she says before commenting further. I will make a brief comment later in my speech, which will also pick up something that the right hon. Gentleman has just said.

To give another example, it is not clear whether the proposed ban on consultancies with multi-client organisations, which the Nolan report recommends, is meant to apply only to what can be described as lobbying and public relations firms, as the argument in paragraph 55 of the report implies, or to organisations of any type—a much wider category—as the recommendation a couple of pages later seems to suggest. If lobbying organisations only are to be covered by any new ban, we obviously need to establish a clear and workable definition of such organisations and what distinguishes them from others which might otherwise be caught.

Then again, the Nolan report acknowledges that difficult issues arise in relation to Members who practise in legal and other professional firms, offering what are described, but not further defined, as "Parliamentary services of any type". The suggestion is that a Member should not maintain his connection with such a firm unless arrangements can be made to separate the Member's interest in the firm from that part of its work. But as the Select Committee report notes in paragraph 81,

"it is far from clear what might in practice be regarded as fulfilling such a requirement",

and the Committee is certainly not yet in a position to suggest how such a Chinese wall might be achieved.

Thus, as I have said, what the Select Committee proposes is clearly set out in motion No. 7. It says:

"That this House endorses the need for an examination of the recommendations of the Nolan Committee relating to consultancies (including multi-client consultancies) and disclosures in the Register of Members' Interests; and instructs the Select Committee on Standards in Public Life to conduct such an examination and to seek to bring forward proposals on these matters by the end of the current Session."

The alternative view is set out in the amendment unsuccessfully moved by members of the Select Committee, in that Committee, which can be found on pages 29 to 32 of the Committee's report. It is, of course, mirrored in the amendments tabled by the hon. Member for Dewsbury, to which, as I have said, she will no doubt speak in a moment.

To the right hon. Member for Salford, East, I simply say this. As I have said, I will not seek to pre-empt the hon. Lady's arguments, beyond saying that, in my view at least, the tenor of the amendments seems amply to confirm the need for further clarification before the House could sensibly adopt them as decisions.

Not only as the Chairman of the Select Committee presenting its recommendations, but as Leader of the House, I say simply that it will, of course, be for the House to decide whether it wishes to go down the path sketched out by the Nolan report in these as in other respects. But if we are to ban certain activities, we need to be absolutely clear what it is that is banned. If we are to require public disclosure of what is at present private, the requirement should be as clear as we can make it.

The Nolan report criticises our existing rules for their lack of clarity and uncertainty. We shall do no service either to the reputation of this House or to the standards of public life if we simply replace one set of ambiguities and uncertainties with another. I therefore strongly urge the House to endorse motion No. 7 as it stands, along with the other motions on the Order Paper.

4.20 pm

Mrs. Ann Taylor (Dewsbury): I shall try to be brief, as the Leader of the House was, and I shall move our amendments at the appropriate time. At the start of the debate, all hon. Members should reiterate the interests they have. I tell the House, therefore, that mine are, as recorded in the register, that I am sponsored by the GMB, that I receive research report from Unison, and that I am an adviser to the Association of Teachers and Lecturers. I also have an entry in the register following the gift of football tickets earlier this year.

No one should doubt the importance of this debate; it is important for two reasons. First, it is important to hon. Members, for the reason that some Conservative members suspect, because we shall have to make changes in the way that we operate as a Parliament and as individuals.

The second reason is more important. Today, we have an opportunity to start the long process of restoring public confidence in this House, and, indeed, in our democratic process. If we make the right decisions today, we shall not only start to clean up Parliament, but begin to stem the tide of cynicism which is eroding our parliamentary democracy. If we get it wrong, public confidence will be reduced even further, we shall all be tarred with the same brush, and we shall all be blamed for the abuses of the few who flout the rules.

When we previously debated the issue on the Floor of the House, the atmosphere was somewhat frenzied, and the House did its reputation no good. The Leader of the House made a suggestion at the end of that debate that the whole issue should be referred to a Select Committee. I freely admit that I was extremely suspicious, and thought that the suggestion was a delaying tactic in response to Conservative Back-Benchers who wanted to block the Nolan recommendations altogether. There followed, therefore, discussions and correspondence between us, and the Opposition had to feel satisfied that some progress would be made before agreeing to allow the Select Committee to go ahead.

Sir Archibald Hamilton (Epsom and Ewell): Were not the negotiations on the setting up of the Committee delayed by Opposition Members? Did not the Committee's work become even more frantic as a result, as we tried to fit in all the work in the short time available before we produced an interim report?

Mrs. Taylor: The comments of the Leader of the House about the way in which the Committee worked were correct. I do not think that it was frantic. It was difficult to fit in everything in the time we had, but we did it.

One reason why the Opposition insisted upon a tight time scale, and asked the Leader of the House to agree that 7 July should be the deadline for an interim report, was that we wanted to make sure that progress could be made. That is the reason why we are having this debate today. As the Leader of the House said, we had 14 sittings in 14 days and, for the most part, there was—despite what the right hon. Member for Epsom and Ewell (Sir A. Hamilton) said—a good working atmosphere in the Select Committee. That is reflected in many of the practical proposals that have been made in the report, and which were mentioned by the Leader of the House.

I intend to deal with the amendments in some detail later, but first I want to say a few words about the matters on which there was agreement. We made considerable progress about the role and principal duties of a Parliamentary Commissioner for Standards. We reached agreement on the recommendation that the House of Commons should eventually approve that person, but that the mechanisms for appointment should be set in motion by the Speaker and the House of Commons Commission.

We dealt with the relationship with the Nolan committee, which I know was causing concern to some Conservative Members. On the structure of Committees, the Nolan committee recommended that there should be a sub-committee of the Privileges Committee. The Select Committee explored many options, because that same objective could have been achieved in different ways.

We have recommended the merger of the Members' Interests Committee with the Privileges Committee, to establish a new Standards and Privileges Committee. We have not prescribed in the report that there should be a sub-committee, but we recommend that sub-committees should be allowed. We recommended unanimously, as my right hon. Friend the Member for Salford, East (Mr. Orme) said, that the Committee should be smaller than the existing Privileges Committee.

Mr. Alan Duncan (Rutland and Melton): The hon. Lady has identified a tide of cynicism, but does she accept that perception is as important as—if not more important than—fact in setting the reputation of the House? Does she also accept that people associate the Privileges Committee with perks and special favours? Has not the time come to update the language of the House, so that, when the Committee is reconstituted—as I think it will be—it can also be renamed, so that its work can be better understood by those who do not understand the practices of the House?

Mrs. Taylor: The hon. Gentleman mistakes the original meaning behind the words "Privileges Committee". The Committee was not meant to give privileges, but to protect the House. We did consider the naming of the Committee, but we felt that it would be clearer if we continued to use that name following the merger of the Committees.

The difficulties in the existing Privileges Committees meant that some of the inquiries were delayed, although we did agree on one important recommendation—that the new Committee should be able to sit in the recess to facilitate quick decisions where speed was necessary. There was general agreement that these proposals were practical, would improve the existing situation, and would be in line with what the Nolan committee recommended.

On the code of conduct, we agreed that there was a need to update the 1947 resolution, and that is referred to in the motion on the code of conduct.

Mr. Iain Duncan Smith (Chingford): Before the hon. Lady moves away from the subject of the Committee and the commissioner—subjects on which we spent some time on the Committee—does she agree that we pushed further forward than Nolan had recommended on those matters, and, in so doing, clarified and put something forward that could improve the existing structure?

Mrs. Taylor: Yes, I think the suggestions in the report about the way in which detailed work, such as the work on a code of conduct, could be carried out are very significant. The House will be asked today not to determine the details, but to decide on what should happen in principle. The formula that we have adopted is one that I would recommend to the House.

There was consensus in all those areas, and progress was made. There was agreement on the Nolan committee's recommendation that there should be broader consideration of the merits of parliamentary consultancies generally; I believe that you, Madam Speaker, had already referred that issue to the Privileges Committee. Let me now deal with the areas of disagreement: multiple consultancies, and the disclosure of contracts and amounts earned.

Our amendments have been tabled to give hon. Members a choice when they vote. Amendment (a) provides for straightforward implementation of the Nolan committee's recommendations on disclosure. If it is rejected—which I hope will not happen—amendment (b) provides a fallback position, providing for acceptance of the committee's recommendations in principle. Those who consider the committee's time scale too tight, but who accept its proposals in principle, will be able to vote accordingly.

In Committee, we tabled amendments that have presented the House with the options that are before us now, and recommended that they be part of the main body of the report. We were disappointed that the Committee rejected our proposals, and that the hon. Member for Caithness and Sutherland (Mr. Maclennan) did not support our amendments.

Perhaps the Liberal Democrats had the opportunity for second thoughts; it appears from the Order Paper that some of the hon. Gentleman's colleagues may have had words with him and shown him the error of his ways. This evening, they will have an opportunity to vote for or against the specific proposals in the Nolan report: for or against the Nolan recommendations in principle. All will become clear when the votes take place.

Let me say a word to any hon. Member who is considering voting against the amendments. I do not think that the constituents of any such Member will understand why there should be secrecy. Tomorrow, when newspapers publish the names of those who voted for secrecy, constituents will be checking to see which hon. Members went through which Lobby.

Mr. Duncan: Would the hon. Lady care to tell the House whether she regrets having been a director of a consultancy and lobbying company until this issue became a matter of public interest? Would she also care to tell us how much she earned?

Mrs. Taylor: The hon. Gentleman is trying too hard. [HON. MEMBERS: "Answer."] I have answered the question

[Mrs. Taylor]

on another occasion. I even raised the matter when I gave evidence to the Nolan committee. Hon. Members should read the record. No, I do not regret anything that I have done. I am perfectly willing to comply with any of the new rules, and disclose any fees I earn outside the House. I hope that the hon. Member for Rutland and Melton (Mr. Duncan) will be equally willing to declare everything that he earns in relation to parliamentary activities. *[Interruption.]*

Madam Deputy Speaker (Dame Janet Fookes): Order. This is a serious debate, and I do not think that it should be spoilt by foolish and childish gesticulations and comments. I hope that we can maintain a high standard of debate.

Mrs. Taylor: Thank you, Madam Deputy Speaker. That is exactly what we are trying to do. Some of my colleagues feel that Lord Nolan did not go far enough—

Mr. Ian Bruce (South Dorset): May I ask the hon. Lady about the wording of amendment (a)? It refers to

"contracts relating to the provision of services in their capacity as Members".

Does the hon. Lady agree that Members of Parliament should not be allowed to do anything that an ordinary lobbyist or anyone else can do, and have the same access, and that therefore anything that we in particular are able to do should not be allowed in any case? All of us, as Members of Parliament, may be recruited to do other work on the basis that we have a position as a Member of Parliament; therefore, surely the logic of what the hon. Lady says is that every penny that any Member of the House earns should be declared if we go down that route.

Mrs. Taylor: I was saying that some of my hon. Friends believed that Lord Nolan's committee's recommendations did not go far enough. Some people do believe that there should be no possibility of any outside income. Some people believe that any outside income—whether from family businesses, legal work or journalism—should be declared in the Register of Members' Interests. I have even heard it mooted that all MPs should have their tax returns made public, as happens in some other countries.

Mr. Bill Michie (Sheffield, Heeley): If Members of Parliament did make their tax returns public, would they be accurate?

Mrs. Taylor: My hon. Friend makes a good argument. I believe that there is a requirement of accuracy on all of us in all of these matters.

Let me, for the benefit of the hon. Member for South Dorset (Mr. Bruce) and others, describe the rules as I see them—the rules by which many people felt that the House was operating already, and had operated for many years, as I outlined in the evidence that I gave to the Nolan committee.

There should be no possibility of any Member of the House being paid cash for questions, cash for amendments, cash for speeches, cash for early-day motions or anything of that kind—either to make them or not to make them. That should be our starting point.

Mr. Richard Shepherd (Aldridge-Brownhills): I am obliged to the hon. Lady, but I wish that she would reflect on what she has said. I am a supporter of Nolan, as it happens, and I have no difficulty with any of its conclusions. However, the unleashing of press hysteria on the basis that a Committee of the House of Commons has not reached a final conclusion on certain narrow issues appears an extraordinary threat to hold over the House, and not appropriate for a serious Opposition spokesman, when the proposition before the House is that that Committee, supported by the Liberal Democrats, supported by Conservative Members, should conclude on narrowly defining, appropriately, something that will bear on the existence of every Member of the House.

Mrs. Taylor: If the hon. Gentleman believes that, he may not wish to vote for our first amendment, but he can certainly vote for our second amendment, which accepts Lord Nolan's recommendations in principle, but does not specify the time scale or the definitional problems that he may be suggesting. He will, on that basis, be able to vote for our second amendment.

I was discussing the proposition that there should be no payment for MPs for any activities of that kind.

It is, of course, permitted—

Sir David Mitchell (Hampshire, North-West): Would the hon. Lady explain, on this section of her speech, the way in which she envisages that proposition applying to retainers by trade unions to Members of Parliament, including payment to Members of Parliament's constituencies for their election expenses and their agents and other costs in their constituencies?

Mrs. Taylor: I am grateful to the hon. Gentleman for mentioning that matter, not least because, as recently as yesterday, I asked the Leader of the House to remove the Government's veto on Lord Nolan's committee considering party political funding before the next general election. We would all welcome an early investigation of that full matter.

Mr. Newton: I had not intended to intervene, but it would help me to have one thing clarified that arises from another aspect of the different phrasing used in different parts of the Nolan committee report. In its summary of recommendations, in paragraph 14 on page 4, the hon. Lady will find that it said:

"Full disclosure of consultancy agreements and payments, and of trade union sponsorship agreements and payments, should be introduced immediately."

I want to be absolutely clear that the hon. Lady's amendment is intended to embrace both types of payments.

Mrs. Taylor: Absolutely. If the right hon. Member looks at the register, he will see that it makes most of that clear. If there are any doubts, we are happy to confirm that those sorts of payments will be covered by our amendment.

I shall pick up where I left off on the previous query. I have mentioned the things that hon. Members cannot do. It is permitted for hon. Members to advise people outside the House. We all do that, whether it is updating constituents or informing groups about parliamentary and party issues. Hon. Members are sometimes paid for their services, but more often—especially on this side of the House—we are unpaid.

If any hon. Member is paid for advice of that kind, I believe that that should be made known under the present rules. I believe that the amounts that hon. Members receive should also be made public so that constituents and others can judge how important that role is, how much time is involved and what is an hon. Member's level of commitment. If an hon. Member gives advice for money, the desire to continue a contract might be thought to influence that hon. Member. Therefore, I believe that we need transparency. Conservative Members cannot duck that issue.

Mr. Ian Bruce: Will the hon. Lady give way?

Mrs. Taylor: I will give way, but then I shall continue as I have already spoken for too long.

Mr. Bruce: It is an important issue. Hon. Members who are company directors, in an executive or non-executive capacity, may, in the course of their duties—perhaps only once every 10 years—inform their colleagues about an issue associated with their parliamentary work. According to her definition, the hon. Lady is effectively saying that all such earnings must be declared.

Mrs. Taylor: If advice of that sort is given, it falls into that category and it must be declared. I think that hon. Members would do well to err on the side of transparency. We should recall the words of the Prime Minister on that issue. He said:

"We have now seen the report. I have said repeatedly that I favour greater transparency".—[*Official Report*, 23 May 1995; Vol. 260, c. 704.]

When the Prime Minister established the Nolan committee, he required it to report within six months because of the depth of public concern about the issue. The Prime Minister has also said that he accepts the broad principles of the Nolan committee report. We shall therefore watch very carefully how the Prime Minister votes today—if he votes at all.

We suspect that the issue is central to the concerns that Conservative Members expressed during the last debate. Some Conservative Members might dress up their opposition, but the principle of transparency—which the Prime Minister claims is so important to him—must be paramount. I believe that our decisions should reflect the urgency with which the Prime Minister charged the Nolan committee. Therefore, we should try to meet the Nolan committee's timescale in dealing with those important issues. If hon. Members fail to accept our amendment this evening, we will lose an important opportunity to start restoring public confidence in this place.

4.42 pm

Sir Edward Heath (Old Bexley and Sidcup): As I had the opportunity to speak when the House debated the issue in the first instance, I shall add only a few words at this stage. The story is not over by any means.

The hon. Member for Dewsbury (Mrs. Taylor) described the previous debate as frenzied. I do not think that she should accuse the House of being frenzied. She screamed throughout her speech, and throughout every interruption, for immediate action without proper consideration.

Mrs. Ann Taylor: I am grateful to the right hon. Gentleman for giving way. I shall ignore his charge that I was screaming, which is not characteristic of my behaviour.

In the previous debate, I suggested exactly what I have suggested today—that we should meet the Nolan time scale. The Select Committee on Standards in Public Life proved that it is possible to achieve the time scale with regard to the other resolutions and we believe that it is possible to achieve it with declaration of income as well.

Sir Edward Heath: The hon. Lady demanded at the end of that debate that we should reach full decisions and put everything into operation. I cannot imagine anything more frenzied than that in relation to matters that will affect every Member of Parliament now and in future. Again today, the hon. Lady has demanded immediate action.

Mr. D. N. Campbell-Savours (Workington): He could not have been listening to her.

Madam Deputy Speaker: Order. I should appreciate it if hon. Members would refrain from making seated interventions.

Sir Edward Heath: I take no satisfaction from the fact that the committee sat for 14 consecutive working days to try to comply with the time scale. What opportunity could members of that committee have of discussing the issues with Members of Parliament? If the hon. Lady wants the views of right hon. and hon. Members to be ignored, that explains a great deal about the attitude displayed by Opposition Members. We know which particularly Labour Members have been working for years for this. They are consumed by an insatiable desire to pry into other people's affairs. This time, they believe it will give them an enormous advantage when the general election comes.

The hon. Lady, adopting a threatening attitude, said that the constituents of right hon. and hon. Members on this of the House in particular will never understand if we stand by our principles and vote against her. My constituents will understand it perfectly well, because they know what Opposition Members are about and they are not prepared to put up with it. My constituents accept that the House is capable of running its own affairs.

I am unhappy about the report's proposal to merge the Privileges Committee with the Committee on Members' Interests. It may be that the Privileges Committee, having 17 members, cannot function as easily as it would like. When I served on that Committee, its membership was not that large and it had no difficulty functioning. Also, when the Privileges Committee is considering a case, the individual under consideration is not allowed to hear the rest of the evidence or to be represented. Those are much more serious questions for individual Members of Parliament.

I do not care for the proposed amalgamation of the two Committees because the Privileges Committee has always held by far the highest position, being respected by everybody. It has reached fairly serious decisions, albeit infrequently, when hon. Members or outsiders have been summoned to the Bar of the House to hear the Committee deliver its judgment. That Committee's work is vitally

[Sir Edward Heath]

important. The status of the Select Committee on Members' Interest is quite different. The Privileges Committee should maintain its present position.

Mr. Campbell-Savours: The right hon. Gentleman broke the Committee's rules.

Sir Edward Heath: The hon. Gentleman is being as tiresome as usual. I refer him to the decision of the Members' Interests Committee in respect of Lloyd's. It took no—

Mr. Campbell-Savours: The right hon. Gentleman broke the rules.

Madam Deputy Speaker: Order. I did not expect to have to reprimand the hon. Member for Workington (Mr. Campbell-Savours) or other hon. Members again, but that appears to be necessary.

Sir Edward Heath: The Members' Interests Committee took no evidence from anybody concerned with Lloyd's and then made the ridiculous proposal that any hon. Member's particular interest in Lloyd's should be fully displayed, for which there was no justification.

Mr. Campbell-Savours *rose—*

Sir Edward Heath: I will not give way to the hon. Gentleman. When those points were brought to the notice of the Chairman—

Mr. Campbell-Savours: On a point of order, Madam Deputy Speaker. Will you confirm for the record that the former Prime Minister broke a rule of the House of Commons? He now defends the fact that he breached that rule.

Madam Deputy Speaker: I have no knowledge of that matter and cannot comment.

Sir Edward Heath: When the matter was brought to the notice of the Chairman of the Committee, he invited members of Lloyd's in this place to go to him and other members of the Committee who wished to be present to explain the situation, which we did. The Committee's decision was then withdrawn because it knew that it was wrong. These are the consequences of carrying on with doctrines without consulting Members who may be involved. If that process continues, the Committee that deals with Members' interests, or a joint Committee if that proposal goes through, will be absorbed for ages in a process of compiling House of Commons law on Members' interests.

We have already heard that the Nolan report does not clarify anything. Lord Nolan does not bother. He does not even try. He uses three phrases without saying what each of them means. As different issues arise the Committee will have to set about creating House of Commons common law on Members' interests. That will absorb all its energies. If the Committee on Members' Interests is combined with the Privileges Committee, the time of what is now the pre-eminent Committee in this place will be absorbed unnecessarily. For these reasons I do not approve of the combining of the Committees.

I repeat what I have said about that which is being demanded of Members' interests. If a Member states that he has an interest, that covers everything. It always has. The House knows that whatever a Member says is governed by the fact that he has an interest. Knowledge of the bracket of income is not required to decide whether a Member has an interest. The decision does not require a contract. The Member will have registered, and he will have said so in the House. None of the things is needed that the insatiable desire to pry into other people's affairs has demanded. That is particularly so when it comes to the Nolan committee.

Mr. Nigel Spearing (Newham, South): The right hon. Gentleman has been a member of the Privileges Committee and I was a member of the first Committee to deal with Members' interests. Does he agree that privilege is the privilege of the electorate, which we carry as a trust? Does he agree also that many of our electors would not think about prying into private affairs but think that Members should be transparent when it comes to matters that may affect their representation in this place? It is felt that we should engage all our attention on that and not be diverted into other channels such as selling information that is available to us. That is surely the concern of the electorate, and rightly so.

Sir Edward Heath: We are not being forced into anything. Every Member has his own will, takes his own decisions and is responsible for them. When one thinks that all this was brought about by two—

Mr. Dennis Skinner (Bolsover): Idiots.

Sir Edward Heath: Yes, they would agree that they were idiots. It was a put-up job by a Murdoch newspaper. That is what has brought all this about. The hon. Gentleman knows my views for I have never concealed them.

There is no justification for requiring all the details that are now being demanded. But the pressure will continue for more and more details. Next, the hon. Member for Dewsbury will be demanding that all Members' bank accounts be shown to her. The hon. Member for Sheffield, Heeley (Mr. Michie) is hiding his eyes in shame. He has every right to do so.

Mr. Bill Michie (Sheffield, Heeley) *rose—*

Sir Edward Heath *rose—*

Madam Deputy Speaker: Order. Ten minutes is now up. I trust that someone else wants to speak.

Several hon. Members *rose—*

Madam Deputy Speaker: I call the hon. Member for St. Helens, North (Mr. Evans).

4.54 pm

Mr. John Evans (St. Helens, North) *rose—*

Sir Edward Heath *rose—*

Mr. Evans: I hope that my 10 minutes will start from when I begin my speech, Madam Deputy Speaker. I take it that my 10 minutes will start now.

At the outset—

Sir Edward Heath: On a point of order, Madam Deputy Speaker. There is some misunderstanding. The hon. Member for Heeley leaned towards me and started to rise, and I gave way so that he might intervene.

Madam Deputy Speaker: I am sorry to have to inform the right hon. Gentleman that the 10-minute rule is in operation, so it is not possible for him to continue.

Mr. Evans: At the outset, I proudly declare my sponsorship by the Amalgamated Engineering Union. It is the only interest that I have in the Register of Members' Interests and it has been declared ever since the register was established. I have no other interests to declare to the House.

I pay tribute to the Select Committee's Chairman who, in a quite splendid style, sought to obtain unanimity throughout our deliberations. I am sure that all would agree that he did a splendid job.

I have been somewhat disturbed during the past few weeks at some of the personal criticisms that have been levelled at Lord Nolan by a number of Members. Words such as "ambiguities", "muddled" and "fudged" have been used. The committee was a distinguished committee which included some long-serving parliamentarians, including the right hon. Member for Bridgwater (Mr. King), my right hon. Friend the Member for Bethnal Green and Stepney (Mr. Shore) and the right hon. Lord Thomson.

I have been a Member of the House for 21 years, but those three distinguished parliamentarians have been in the House for much longer than I have been. They have all been Cabinet Ministers and to suggest that people of that calibre are muddled and have produced a fudge is a slur on them, their reputations and the work that they have done in the House.

Sir Archibald Hamilton: Will the hon. Gentleman give way?

Mr. Evans: I have only 10 minutes.

Those three members of the committee, as well as its other distinguished members, know their way about politics and about Parliament. In case anyone has missed it, it should also be noted that Sir Clifford Boulton, a former Clerk of the House, was a member of the committee. If anyone knows his way around the Standing Orders and procedures of the House, it is Sir Clifford Boulton.

For some hon. Members to imply that the interim Nolan report was somewhat eccentric and muddled, produced by a rather other-worldly figure who simply does not understand the real world occupied by Members of Parliament was, at best, disingenuous and, at worst, deliberately misleading. The Nolan report was a unanimous report by 10 distinguished individuals from various walks of life who know what life is all about, and it is grossly insulting to them to suggest otherwise.

It is equally important to record that there were substantial areas of unanimity among the Select Committee members. Unanimity on the acceptance of most of Nolan's recommendations was easily achieved—in some instances with little discussion. Accepting the need for a Parliamentary Commissioner for Standards and how that individual should be appointed was an important duty that the Committee performed.

A code of conduct for Members of Parliament would be of enormous benefit to new Members coming into the House after a general election. I well remember that, when I came into the House in March 1974, no one told me anything about anything. I was simply left to my own devices to find out things as best I could.

Mr. Paul Flynn (Newport, West): Nothing has changed.

Mr. Evans: As my hon. Friend says, nothing has changed in the interim.

The Nolan committee recommended a new Select Committee on Standards and Privileges. The Leader of the House knows my views and I make the plea that such a Committee should be established soon, start work and take over the functions of the present Select Committee. The present Select Committee, which has done an excellent job, has a limited life and it is important that the new Committee should get into its stride and start work.

The motion concerning the declaration of Members' interests also establishes an important procedure. If a Member tables an amendment to a Bill or asks a written question, and Members have to declare their financial interests, we will all be able to see—including Ministers—whether he has an interest in that area.

The same applies to the updating of the 1947 resolution on Members' outside interests. We are reiterating the resolution, as Nolan asked us to do, but we are saying that we think that it could be updated to suit the change in standards between 1947 and 1995-96.

We parted company on three issues. The first involved hon. Members being employed by lobbying companies that provide paid parliamentary services to multiple clients. The second involved the requirement that hon. Members should, from the beginning of the next Session, deposit with the registrar any contracts they have with any company relating to the provision of services. The third, and much more significant, issue involved hon. Members having to declare their earnings from outside interests from the beginning of the next Session.

There were a number of occasions in the Select Committee when we touched on those subjects. We did not settle the subject at the very last sitting, at the 11th hour, but discussed it on a number of occasions. On every occasion, the attitude of Labour members of the Committee was that two options should be presented to the House. One option was the Nolan recommendations as printed in Lord Nolan's report; the second was that we accept the principle of Nolan, but provide further time to study some of the details.

The Conservative and Liberal Democrat members of the Committee made it clear that they would not accept, and would not put their name to, Lord Nolan's words on the Order Paper of the House of Commons as appearing to come from the Select Committee. That is why we divided at the final stage.

Lord Nolan, in his unanimous report, made it clear that those were the two matters of great significance that the committee felt were at the heart of the decline in the public's perception of parliamentary standards and should be acted on immediately. Lord Nolan included those issues in his report and asked us to take action to solve those problems as quickly as possible, and certainly by the start of the next Session.

While the Labour members of the Select Committee accepted, and made it clear that we accepted, Lord Nolan's report, we were not dogmatic about it. In our view, it was not for 10 members of a Select Committee to remove Lord Nolan's words. We felt that it was for the House of Commons to take that decision once the options had been placed before it. The Tory and Liberal Democrat members sought to deny that opportunity, which is why

[Mr. Evans]

we have placed the words on the Order Paper again today. We want to give every hon. Member the opportunity to vote for the Nolan report or to vote for the amendment that accepts the principle.

The Leader of the House carefully crafted the amendment that is contained in paragraph 86, and now appears on the Order Paper. The resolution that the majority passed in the Committee states:

"That this House endorses the need for an examination of the recommendations of the Nolan Committee".

I am highly suspicious of those words. If the recommendation had stated:

"That this House endorses the principle of the recommendations of the Nolan Committee"

and had instructed the Select Committee to conduct such an examination and make proposals, that could well have been acceptable to the majority of the Committee.

However, a number of Tory Members have made it clear throughout the debate that the thought of disclosing their earnings is anathema. A former Prime Minister, the right hon. Member for Old Bexley and Sidcup (Sir E. Heath) made that abundantly clear in his short speech on the subject. Such right hon. and hon. Members simply do not realise that the subject causes so much concern to the general public. The very thought that Members of Parliament have outside interests for which they receive substantial sums of money, directly and only because they are Members of Parliament, is a cause of public concern.

If Conservative Back Benchers tonight turn down the option of disclosing income, they will go a long way to persuading the public that they, as a party, are determined to bury the Nolan committee's recommendations.

I have already paid tribute to the Leader of the House's chairmanship of the Select Committee, and I understand the difficulties that he has faced. He recognises that there is a strong wish in his party to kick the Nolan report as far as possible into the long grass in the hope that, in the next three or four months, the Tories can come up with some alternative—any alternative—that will result in Lord Nolan's recommendations being shelved. If the Tories do that, they will be making an appalling mistake for which they will subsequently pay.

5.4 pm

Sir Terence Higgins (Worthing): I shall begin by immediately declaring various interests that are recorded in the Register of Members' Interests.

In considering the amendments and motions before us, we should bear in mind the introductory paragraph of Lord Nolan's report. It states that, when inquiring into the growing public concern about standards in public life, it became

"equally clear from a considerable body of this evidence that much of the public anxiety about standards of conduct in public life is based upon perceptions and beliefs which are not supported by the facts."

When the matter has been presented in the press, that paragraph has not been quoted. On the contrary, the extent of the problem has been grossly exaggerated, but for the reputation of the House it is important and right that we should deal with the problem.

The deadlines set on the Nolan committee report and the Select Committee have not been the least bit helpful in achieving a sensible outcome of the deliberations—nor has the shortness of today's debate. I do not agree with what the hon. Member for St. Helens, North (Mr. Evans) said about the Nolan committee's report. It is true that it is a distinguished committee, but it would be charitable to think that it was the lack of time that led to the report's quality.

Having studied it in much greater depth than I did at the time of the debate on the Adjournment—I suppose that I have studied it as closely as anyone in the House—I am forced to the conclusion that it is as inadequate in its analysis as it is bad in its drafting. Therefore, the Select Committee has had to do what the Nolan committee should have done in the first place.

Lord Nolan deals with three issues: Members of Parliament, Ministers and civil servants, and quangos. The report goes through those issues at the beginning, and then again, for a second time. As we found in the Select Committee, one spends one's entire time bobbing back and forth, as the report is extremely badly drafted.

In addition, Lord Nolan is very concerned about the issue of timing and when particular proposals should be carried through. But if the Nolan committee had given the matter much thought, it would have realised that some of the actions that it said should be taken immediately could not sensibly be taken until subsequent inquiries, which it said should be done during the following year, had taken place. The report is badly drafted, and, as my right hon. Friend the Leader of the House said, it is sadly inadequate when it comes to defining its terms and explaining what it has in mind. It is right that the Select Committee should have done what it can to clarify the situation.

In the time available, the Select Committee has done a remarkable job. We sat day after day, with total disregard for the effect that would have on other programmes. I add to the tribute paid by the hon. Member for St. Helens, North to my right hon. Friend the Leader of the House for his chairmanship of the Committee. I do not know how he has survived the past two months.

Not only has he carried out his functions as Leader of the House, with constant appearances at the Dispatch Box, but he has performed his role as Chairman of the Privileges Committee as well as Chairman of the Select Committee. He has also stood in for the Prime Minister at Prime Minister's Question Time when necessary, and has had a number of other governmental and private matters to deal with—what Mr. Macmillan used to describe as "little local difficulties". My right hon. Friend has done a remarkable job. Other hon. Members on both sides of the Committee have also done so.

I do not think for one moment that the Committee delayed matters unnecessarily. We dealt with an immense range of subjects and have done much to clarify the position and, in some respects, toughen up the Nolan proposals in respect of what is now proposed in relation to the Parliamentary Commissioner and the new Committee—on which I do not agree with what my right hon. Friend the Member for Old Bexley and Sidcup (Sir E. Heath) said.

We have done well in clarifying the relationship between the Commissioner and the new Select Committee structure. We have toughened up the proposals. We dealt with a number of issues, such as declaring interests on the Order Paper, which Lord Nolan had omitted to do.

The Select Committee looked carefully at the subject of declaration. We were forced to the conclusion that we could not do it in the time available.

I was puzzled by the threats of the hon. Member for Dewsbury (Mrs. Taylor) about what our constituents would think. No one says that we should not go ahead, and no one is procrastinating: it is absurd to suggest that. We have worked flat out all the time, and I understand that it is proposed that we should meet again tomorrow when the House has risen. But an article in *The Observer* on Sunday stated, "My goodness, they are trying to hook it into the long grass." That is not the case, but we must have sensible proposals to present.

One cannot deal with the issue of multi-client consultancies until the overall picture of consultancies is clear, and we must clarify that as quickly as possible. In the context of the declaration of contracts, it seems that, effectively, three categories of consultancy have to be taken into account. Some contracts do not arise in any way from membership of the House. It is clearly inappropriate to declare such contracts, and I think that Nolan recognised that. It is arguable that some of the matters that are now registered ought to be deregistered, because they are not relevant in this context.

At the other extreme, some consultancies are quite clearly designed to enable an outside interest to have advocates in the House to put down questions, perhaps to move amendments, to entertain in the Dining Rooms, and to effect introductions to Ministers and so on. An examination of the rather convoluted passages in the existing resolutions of the House and the Select Committee suggestions on the matter show that those activities ought to be banned. That is a personal view. However, if they are banned, the issue of declaration of amounts does not arise.

Mr. Michael Stephen (Shoreham): Will my right hon. Friend give way?

Sir Terence Higgins: I cannot give way, because of the time that is available.

The Select Committee generally, and certainly the Conservative Members on it, advocated a tougher stance than Nolan has established. He did not distinguish, as one must do, between activities by the client that reach into the House and advice from the House to those outside. That is an important distinction. If a consultancy simply involves advice on parliamentary matters, the question of amounts does not seem relevant, because it does not in any way affect performance in the House. That is the crucial issue.

I hope that the work of the Select Committee can continue. It has been one of the best Committees, in terms of all-party consensus, that I have come across. Despite the general partisan exchanges in this debate, the Committee ought to be able to reach a sensible conclusion and present positive proposals for the House to consider at an early date.

It would not be right for us to pass the issues to the new Committee. The existing Committee, on which I had the privilege, if it be that, of sitting, should be concerned with structure, and the new Committee should concern itself with the issues of operation and individual cases. If that is done, it will restore the reputation of the House. It is important for that to be done, but the process has not been helped by the time scale in which we have attempted to resolve an extremely complex and important problem.

5.13 pm

Mr. Robert Maclennan (Caithness and Sutherland): I shall begin by declaring that my interests are set out in the Register in the usual way. The previous debate on the recommendations of Lord Nolan's committee on standards in public life was on a take-note motion. Widely differing views were expressed at that time, but today hon. Members must take decisions. The overriding need is to approve the resolutions, which were designed to give effect to the recommendations of the Nolan committee. At the same time, we must resolve to complete the task of implementation in the time scale that was recommended by Nolan.

In reaching decisions, none of us is likely to forget the circumstances that gave rise to the report. The good name of the House, and its keystone place in our democracy, must be in the mind of every one of us. The House validates Government. If that process were to be corrupted by the self-interested action of Members, it would diminish our claim to speak for the country.

Mr. Stephen: Will the hon. Gentleman give way?

Mr. Maclennan: Because of the time constraints, I will not give way.

If the House could not speak for the country, who would? This old institution reached its central representative role in the life of the country only through a process of evolution. Of course the House has not always risen to that challenge. Individual Members bring to its debates personal partialities and human idiosyncrasies, but in the process of debate there is sometimes distilled the true sense of where the people's interests lie. It is that which is put at risk if Members allow their outside interests, especially their outside financial interests, not merely to dominate their own judgment but to exert influence upon the judgment of the House.

Some would argue, although Nolan did not, that such outside interests are wholly incompatible with fully functioning membership of the House. Certainly the demands on each Member are such that there can be little time for extensive outside activity. Nolan sought to protect the honesty of debate by calling for openness about those interests. The report specifically advocated the severance of any direct financial link between Members and those whose business is to seek to sell influence over Parliament and Government.

Nolan worked fast, and that may have presented the problems to which the right hon. Member for Worthing (Sir T. Higgins) referred. The Select Committee also worked fast, but I hope that the House will agree to accept its resolutions, which were unanimously adopted by the Committee. Those significant resolutions are: to proceed with the appointment of an independent Parliamentary Commissioner for Standards; to bring together within one Committee the work of the ancient Committee of Privileges and the modern Select Committee on Members' Interests; and to put in hand the preparation of a code of conduct for Members of Parliament.

[Mr. Maclennan]

Those evolutionary developments should assist the House to investigate fairly and thoroughly allegations of wrongdoing that are made against hon. Members. They should also help in the process of monitoring the adequacy of the rules to deal with any slippage in standards.

On the two specific outstanding matters of disclosure and lobbying—to define them broadly—on which the Select Committee did not have time to reach conclusions, Nolan was quite clear on one matter. It was that controls should be in place at the beginning of the next parliamentary Session. The purpose of the amendments in my name and those of my right hon. and hon. Friends is to ensure that the House can do just that.

My amendment (d) to the final resolution which was tabled by the Leader of the House is intended simply to strengthen the instruction to the Select Committee to present precise proposals in those two areas by the end of this Session, to which in any event the resolution aspires.

My amendments to the motion in the name of the hon. Member for Dewsbury (Mrs. Taylor) and her hon. Friends would provide that, in the event of the Select Committee failing to present such precise proposals in that time scale—it must be remembered that the Committee was charged only to present an interim report, which is what it has done—the two broad, less precise, proposals of the Labour party, which are contained in amendments (a) and (c), would take effect from the beginning of the next Session.

As the hon. Member for St. Helens, North (Mr. Evans) said, amendments (a) and (c) use the language of the Nolan committee, and for that reason are superficially attractive. However, they leave grey areas, which might be used by self-serving Members to avoid their obligations. It would not serve the interests of the House to have unscrupulous Members able to exploit loopholes.

To take one example, if the House believes that any association with a firm that engages in lobbying, be it a firm of solicitors or accountants or a public relations company, should be banned, in my judgment it should explicitly say so, and not rely on the general language of the Nolan committee. If the House considers that it is not illegitimate to belong to such a firm, providing that Members' contracts preclude lobbying activity, that alternative should be explicitly provided for.

I do not believe that the Nolan committee, in making its recommendations, considered that it was removing from the House the responsibility to draw up its own precise rules. Rather, I believe it sought to make recommendations outlining the purpose of the rules that should be implemented in order to renew the standing of Parliament. It clearly left it to the House to define precisely what those rules must be to make its recommendations effective.

I emphasise that, working as the committee did, the Nolan timetable can be met, although I do not doubt that we will have to work hard during the summer recess. We will all remember that it is all the people who sent us here whose interests we must represent in the House. By our decisions today, we can renew their confidence that we will not be diverted by private or partial interests from that overriding duty.

5.20 pm

Mr. Tom King (Bridgwater): I and my colleagues on the Nolan committee have had to experience the reaction of the House and others outside to our report. We did not have a particularly happy first debate, and I hope that today's debate will be an improvement on it. The contribution of the hon. Member for Dewsbury (Mrs. Taylor), however, who appeared deliberately to threaten hon. Members, was the singularly most ill-judged contribution that we have had to the discussion.

I have listened with great interest to the comments and criticisms by many of my right hon. and hon. Friends. I have also taken note of the comments of Opposition Members. The right hon. Member for Bethnal Green and Stepney (Mr. Shore) shared responsibilities on the Nolan committee, and I would like to think that we strove deliberately to conduct that committee on a non-party political, non-partisan basis. It was the better for it.

I should be grateful if the hon. Member for Dewsbury conveyed to the Leader of the Opposition the fact that I particularly regretted the way in which he has considered the matter. I also regret that my right hon. Friend the Prime Minister's response to the Nolan committee recommendations was met with a manifestly party political reaction at Prime Minister's Questions. It does not serve the interests of the House to approach the matter in that way.

I have had to endure the criticisms levelled against the Nolan committee. I also noted the Opposition's ridicule when my right hon. Friend the Leader of the House proposed at the end of the previous debate that a Select Committee should be set up to consider the Nolan recommendations. I do not think that there is anyone in the House who now doubts the need for that Committee, which Nolan specifically recommended in our report.

I congratulate the Select Committee on Standards in Public Life on the work that it has done. I might say with tongue slightly in cheek that, having had to endure the slings and arrows of some of my hon. Friends at what were suggested by some to be ludicrous recommendations in the Nolan report, I am encouraged to find how many of those recommendations have been warmly endorsed, either by the Government in their excellent response to the recommendations we made about Ministers and appointments to quangos, or by the Select Committee.

Despite the criticisms of bad drafting and lack of clarity of thought, I am grateful to my right hon. Friend the Member for Worthing (Sir T. Higgins) and the Committee for carrying through, clarifying and improving, as I hoped and knew that it would, a number of the recommendations we made. I was told that the idea of a Commissioner could not possibly work—I congratulate the Committee on seeing the advantages of it. I also congratulate it on appreciating the merits of our suggestions on the Committee's structure. I accept that my right hon. Friend the Member for Old Bexley and Sidcup (Sir E. Heath) disagreed with them.

It is important to consider the particular point that is the source of division: what is meant by advocacy. My right hon. Friends the Members for Old Bexley and Sidcup and for Worthing criticised the Nolan committee for lack of clarity, and questioned whether it had spelt out sufficiently clearly what exactly was meant by the activities that Members might conduct in the House on behalf of outside parties.

The hon. Member for Caithness and Sutherland (Mr. Maclennan) got it precisely right. For all the kind words of the hon. Member for St. Helens, North (Mr. Evans) about the three experienced parliamentarians who served on the Nolan committee, we did not presume to impose our judgment. The Nolan committee deliberately did not dot every "i" and cross every "t", in the knowledge that it would be for the House finally to decide on that most difficult of matters.

The hon. Member for Dewsbury spoke about voting tonight for the straightforward implementation of Nolan. As one of the members of that committee and one of the authors of its report, I do not believe it is possible to do that. As yet, nothing has been determined. Are we to say that we will, in principle, impose certain conditions on such activities of which we do not know at the moment? We must determine what those activities are. I stand by the Nolan report. People who seek to advocate in the House and sell their position as a Member of Parliament to provide services in this House to others are in a different category from other hon. Members.

In an intervention, the hon. Member for Dewsbury swept together advice outwards and advocacy inwards. Not a single member of the Nolan committee took that view. We regarded advice outwards as positively helpful in many cases to a parliamentary democracy, and positively part of a Member of Parliament's responsibilities. Advocacy inwards is not in the same category.

Mrs. Ann Taylor: The right hon. Gentleman obviously did not listen to what I said. I clearly said that advocacy on behalf of people for payment is not allowed, while giving advice out is allowed. I made that clear in my evidence to the Nolan committee, as I did in my speech tonight. The right hon. Gentleman has said that he will not support Opposition amendment (a), so I hope that he will feel able to support the Nolan recommendations in principle, which are embodied in amendment (b).

Mr. King: It is not a question of what is permitted. Advocacy—the selling of one's services in order to provide services in the House—is in a different category from that advisory function that hon. Members have often quoted in debates on Nolan. One cannot, understandably, refuse to give advice. If people ask us what is going on in Parliament, we cannot say, "I am forbidden to give you that advice." I have never heard anything so fatuous in my life. We say often enough that we are cut off from people outside, so of course we must be prepared to give advice.

It is important to consider what activities the category of advocacy covers. The right hon. Member for Bethnal Green and Stepney would agree with me that the Nolan committee found it difficult to reach a decision on that and to determine where to draw the line. As the right hon. Gentleman and I said in the previous debate, to an extent we passed the buck to Parliament. That is why the hon. Member for Caithness and Sutherland is right to say that the Nolan committee recommendations are a challenge for the House. I agree with my right hon. Friend the Member for Worthing that that deliberation is not a delaying tactic.

There is no point in going from the current unclear situation to yet another unclear situation. We have to have the courage to face up to the problem posed by advocacy, put it right and then determine the conditions that should apply to those who practice it.

5.28 pm

Ms Angela Eagle (Wallasey): I declare that I am a sponsored member of the union Unison, which entails a £600 payment to my local constituency per annum in accordance with the Hastings agreement—a published document. I receive no personal financial gain.

I should also like to pay tribute to the work of the Select Committee on Standards in Public Life, and the progress it has managed to make in the short time available to it. I welcome the fact that agreement has been reached on certain issues. Anyone who has served on the Select Committee on Members' Interests knows of the genuine difficulties encountered when considering the detail behind some of the matters at issue tonight.

I therefore welcome the proposals on the Order Paper, which seek the agreement of the House and on which we will vote. I particularly welcome the appointment of a Parliamentary Commissioner for Standards, which would be established if the appropriate order goes through quickly. That is essential. The report says that the Commissioner might be part-time. I hope that he will be full-time, because a great deal of work needs to be done. The House should take the post seriously, make it full-time, and get it up and running as quickly as possible.

I also welcome the abolition of the Members' Interests Committee and its merger with the Privileges Committee. Even though I am a member of the Members' Interests Committee, we have had a great deal of difficulty not only with partisan problems and a breakdown of the consensus upon which the success of the Committee was built—which has made it impossible for us to do our work—but in trying to get hold of the facts.

The concept that the Commissioner will be able to gather the facts, and have the wherewithal to do it efficiently, will make the operation of this part of the proposed changes much more efficient and rapid. Therefore, it will be much fairer to any hon. Member who might be referred to the new Committee.

Like some of my hon. Friends, I am extremely worried about the wording of motion No. 7, which refers to

"the need for an examination of the recommendations of the Nolan Committee"

that deal with the nub of the issue, which is the declaring of amounts received and the banning of multi-client consultancies. Many of our constituents regard that as the most crucial of the Nolan recommendations, and we must deliver it.

I do not agree with everything in the Nolan report, but I am willing to go along with it, because rescuing the reputation of this House and ensuring that the people believe that we are in this House for public service, not private gain, are too important to be left to quibbling around the edges of the little bits of Nolan with which we do not agree. We must move quickly to ensure that both the declaring of the amounts and the banning of multi-client consultancies are put into effect as quickly as possible.

The phrase

"the need for an examination of the recommendations of the Nolan Committee"

suggests that, upon examination, the Select Committee on Standards in Public Life might decide that the recommendations on the two issues which I believe the

[Ms Angela Eagle]

public regard as crucial to our credibility in making these reforms should not be implemented. That would be a serious error, and it would bring the House into disrepute.

That is why I would have preferred to see the phrase "an acceptance in principle" about the issues. We could then have looked at what I agree are sometimes difficult practical interpretations and definitions. However, I do not think that definition is impossible, or that it is impossible to do so in a tight manner.

There is doubt in the minds of those who are perhaps cynical that the Government really will deliver on those two important areas. Whatever welcome progress there is on the implementation of the rest of the Nolan reforms, if we procrastinate and do not deliver on the issues of declaring the actual amounts and banning multi-client consultancies, we will fail to reassure our constituents that we can put our own house in order.

As the Nolan report said, it is not credible to argue that, if someone has a financial consultancy that is worth £5,000, somehow that can be equated with one that is worth £50,000. Our constituents have a right to know if we are making money as a direct consequence of our membership of this House—that is the key issue—and how much money we are making, so that they can make their own judgment about how we are spending our time, how credible we are as independent advocates of their interests in this place, and whether we might have our heads turned by private financial interests. That is a wholly reasonable issue, on which we must agree.

I know that some Conservative Members think that it is none of the public's business to know how much money they earn, even in such a direct area. Unfortunately, we cannot maintain credibility without making that concession to the public. We are not saying—and Nolan did not say—that we should declare all our private earnings. I am a full-time member of the House, and have no other earnings to declare. Some people think that being a Member of Parliament is a full-time job, and that there should not be the time to do all sorts of other jobs.

Certainly, many of our constituents and people who work in certain jobs in industry who are restricted by their contracts from working in other jobs would agree with that. We must make the concession, and be seen to be making it. If we prevaricate and hope that we can kick these two issues into the long grass, we will fail to reassure people about the vibrancy and honesty of our democracy, and we will be doing a great disservice to the House.

Tonight is the time to support the amendments moved so ably by my hon. Friend the Member for Dewsbury (Mrs. Taylor), to reassure our constituents that we are absolutely determined to deal with the issue as quickly as possible, in an open and honest way. We must reassure them that we are not trying to preserve privileges that are no longer relevant and to allow people who have brought the House into disrepute to continue to get away with squeezing between the cracks and the ambiguities in the rules.

We must be open and honest in our declarations, and give up a small amount of our privacy to demonstrate the honesty and straightforward vibrancy of our democracy. We must not allow the House to descend even further in public esteem. The issue is that important.

I hope that the House will take this early opportunity to support the amendments, so that we can make progress, as quickly as possible, in the two vital areas to which I have referred.

5.36 pm

Mr. John MacGregor (Norfolk, South): Like others, I wish to declare non-executive directorships, which are shown in the Register of Members' Interests. I do not have, nor ever have had, any consultancies.

In the time available, I shall make just two points. Unfortunately, I was not able to participate in the previous debate on the Nolan report because I was leading the British-American parliamentary group delegation on its annual visit to and meetings with the Senate in Washington. One of the points I would have wished to have stressed then, and wish to stress now, and which formed the bulk of my early evidence to the Nolan committee, is that I strongly believe that it would greatly weaken this House, the Government and parliamentary democracy if outside interests were barred or in any way greatly inhibited as a result of any recommendations in the Nolan report.

I gave many reasons for taking that view in my evidence to Nolan. I am therefore delighted that the committee strongly took up my theme. It said in paragraph 19 of its report,

"we consider it desirable for the House of Commons to contain Members with a wide variety of continuing outside interests. If that were not so, Parliament would be less well-informed and effective than it is now, and might well be more dependent on lobbyists."

That is absolutely right. It continued:

"A Parliament composed entirely of full-time professional politicians would not serve the best interests of democracy."

Again, that is absolutely right.

I have no objection to those who spend an entire working career in politics and in Parliament, but Parliament should not be mainly composed of those sorts of people. In some of the debate surrounding the Nolan committee, there was a real threat that some people believed that it should be and would try to further that particular cause.

In paragraph 20, the Nolan report said:

"We should be worried about the possibility of a narrowing in the range of able men and women who would be attracted to stand for Parliament if Members were barred from having any outside paid interests. We believe that many able people would not wish to enter Parliament if they not only had to take a substantial drop in income to do so but also ran the risk of seeing their livelihood disappear altogether if they were to lose their seats."

That, too, is absolutely right. That is why I was delighted that the Nolan committee strongly reaffirmed those points and that my right hon. Friend the Chancellor of the Duchy of Lancaster, in his statement to the House yesterday, robustly defended that point of view.

The hon. Member for Dewsbury (Mrs. Taylor) referred to concerns outside the House. One such concern that is widely held is that able people will not in future wish to enter the House if we put too many barriers in the way of their doing so. That is why I am concerned about one paragraph of the draft code of conduct contained in the report. We are discussing setting up a procedure and having a draft code of conduct now. This illustrates a point, made several times in the debate, that some areas of the Nolan report are not at all clear.

The particular part of the draft code of conduct to which I want to draw attention is that which states:

"Where, in the pursuit of a Member's Parliamentary duties, the existence of a personal financial interest"—

not a contract or consultancy for lobbying—

"is likely to give rise to a conflict with the public interest, the Member has a personal responsibility to resolve that conflict either by disposing of the interest or by standing aside from the public business in question."

That seems at best fuzzy, ambiguous and unclear and, at worst, directly in conflict with the principles to which the Nolan drew attention. It illustrates exactly the kind of problems that we now face, although I am not criticising the Nolan committee because it had to do its work in such a short time.

Mr. Stephen *rose—*

Mr. MacGregor: I cannot give way because of the shortage of time.

I suggest to my right hon. Friend the Leader of the House and those who will be examining the draft code of conduct that the particular point to which I drew attention must be redrafted substantially. If it is not, it will mean either that Members with valuable experience will not be able to participate in debates or Select or Standing Committees—we all recognise their value—or that they cannot participate in particular votes, which would undermine the whole process of the House. Although I have dealt with it only briefly, I feel very strongly about that aspect of the drafting of the code of conduct as it has a bearing on the principles behind the debate.

My second point relates to motion 7 and consultancies. I had quite a long discussion about this issue with members of the Nolan committee when I gave my evidence. I said early on that it was very difficult to know where to draw the line and that we were looking to the committee to give us guidance about where to do so. I am not at all surprised that the Nolan committee threw the issue back to Parliament, which is what it effectively did by drawing attention to multi-client consultancies, but saying that, in every other sphere, it is for Parliament in the next year to consider how to proceed. The reason why the Committee threw the matter back to Parliament is that it is difficult to define precisely, and we have to get it right.

I am therefore not surprised that the Select Committee, under the chairmanship of my right hon. Friend the Leader of the House, who did a superb job, said that in 14 working days it could not reach a conclusion on issues with which the Nolan committee said that it could not properly deal in six months. In addition, my right hon. Friend's Committee had to deal with other precisely defined matters, so it seems wholly reasonable for the House to support motion 7.

Not only was the threat issued to Members of Parliament by the hon. Member for Dewsbury (Mrs. Taylor) ludicrous but it debased the debate. I have no doubt that she has previously criticised—many members of her party certainly have—legislation that has been drafted too hastily. She is now asking for an over-hasty decision when there are still so many fuzzy matters to be settled. To suggest that our constituents could then be told that we had not fulfilled our parliamentary duties because we had agreed to do something that was not workable in practice is a ridiculous threat.

The position adopted by my right hon. Friend and the majority of the Committee was entirely right. Given that the Nolan committee took some time to reach a position that is still unclear, and given that it also threw some matters back to Parliament, it is entirely reasonable to ask the Committee to spend another three months trying to reach a workable solution.

5.42 pm

Mr. Stanley Orme (Salford, East): I am a member of the Select Committee on Standards in Public Life. I shall speak briefly but must first declare an interest. I am a sponsored member of the Amalgamated Union of Engineering Workers from which I receive no personal payment whatsoever.

Mr. Andrew Hargreaves (Birmingham, Hall Green): What about the office? Put a figure on it.

Mr. Orme: A sum of £600 goes directly to the office and is openly declared. All that we are asking is that such moneys be declared. As has been said, if Nolan wants to continue to examine the issue, we are more than willing to participate in that examination. We have nothing to hide.

I wish to take up a point made by the right hon. Member for Bridgwater (Mr. King), a distinguished member of the Select Committee. He said that many strands were not tied together—and the Select Committee had some difficulty in that respect—but the motions that we debating are an attempt to implement what Nolan recommended. He wanted his recommendations in place by the next Session, and we are asking that they be approved in principle. We have come a long way down that road. No one is saying that every "i" has been dotted and every "t" has been crossed—that is not the case—but there is agreement in principle. We are therefore not asking for a debate in the next three months on whether we should implement the recommendations; what we are asking the House to do is to accept the principles and decide that they shall be implemented.

The previous Prime Minister spoke about being locked in Committees and not talking to anyone else so we would not know what others were thinking. Our Committee had many hours of discussion and, had he been there, he would have heard the many representations that we received from fellow Members of Parliament from all parties. We had a very open discussion, and I pay tribute to the Leader of the House for the way in which he chaired the Committee. For my sins, I am a member of the Privileges Committee and the Select Committee on Standards in Public Life. The right hon. Gentleman did a sterling job. We disagreed fundamentally on some matters—we are debating some of them tonight—but the Committee worked exceedingly hard to find a solution.

When all is said and done, Nolan's recommendations are moderate in many ways. We are not asking for the moon. The Nolan committee was established because of problems created, regrettably, in the House. However, our record as a democratic Parliament is probably better than most. We admit that there is a problem with which we have to deal, and we want to put in place a series of recommendations, nine tenths of which I believe are acceptable and will be voted so by the House.

I urge the House to go one step further and implement the principles set out in the motions. In the coming three months, let us examine the fine print and see whether we

[Mr. Orme]

can make any improvements. If we do that, we shall be ready to implement the Nolan recommendations from day one of the next Session. That, I believe, is what the public want.

5.47 pm

Sir Peter Emery (Honiton): I declare only those interests which are included in the Register of Members' Interests as I have no others.

I doubt whether the concept that Lord Nolan's recommendations are to be regarded as "set in stone", which appears to be the Opposition's view, is correct. After all, they are simply recommendations made by a committee comprised of human beings. It is up to the House to decide whether it wishes to take all of them, some of them or whatever is necessary. I do not accept all the recommendations, and I believe that I should say so at the beginning of my speech.

I listened with great care to the hon. Member for Dewsbury (Mrs. Taylor). She has come in for some criticism, but, on the whole, I think that her speech was very moderate until she began to say that we should "clean up" Parliament, thus giving the impression that Parliament was in the mire and that we all needed a code of conduct to show us how to behave. In fact, 99.9 per cent. of Members of Parliament are operating in a honourable and proper way and therefore the phrase "start to clean up Parliament" does this House a considerable disservice.

May I congratulate my right hon. Friend the Lord President of the Council and Leader of the House of Commons on the work of the Select Committee and his success? I do not admire, however, the fact that there were 14 sittings in 14 days. I do not think that is the way that Committees should have to work. A little time for consideration in depth, especially on matters of such great importance, would have been better. I realise that he had a time scale to meet, but that is not the way in which I would recommend that other Committees should have to function.

Mr. Newton: I rather thought that the chairmen of other Select Committees might be a bit nervous about that precedent, but I would not urge it on the Procedure Committee.

Sir Peter Emery: I am very glad to hear that because I have no intention of carrying such a precedent forward.

I turn to motion 3 concerning a Parliamentary Commissioner for Standards. I understand and accept the recommendation, but I suggest that the person who is appointed must have real knowledge of the working of Parliament and of this House. I do not think that we should just appoint a distinguished judge or lawyer who may be very good at his own profession but has no real knowledge of what goes on in this place. That point is of considerable importance to the appointment.

I turn to the code of conduct. It seems to me that all that is really recommended is that we revert to the standards that used to exist in the House. I immediately accept the need for transparency, but I have always believed that it has existed. Way before there was a Register, I published all the things that I did in business in "Who's Who". Indeed, when I was working on the Select Committee on Trade and Industry and it considered the accounts of the Post Office, it was possible that a company of which I was chairman would have a future contract with the Post Office. I immediately declared an interest, yet the Clerk said that there was no need to do so because it was only something that might happen and did not exist. Yet because of that possibility, not only did I declare the interest, I would not sit on the Committee while the Post Office accounts were being considered. That was the sort of transparency which I believe that nearly every Member of Parliament always considers. I was not special in the way in which I reacted.

I do not accept the concept that somebody must look only after the parliamentary aspect of what they are elected for. May I say why I do not accept it? When I was adopted to fight my by-election in 1967, my constituency wanted to know that it was taking as a candidate a person who had been in business, a person who had been successful in business, who would be able to keep up certain of his business interests if elected and would not be, as it would say, bogged down in politics and nothing else. We must not give way to the idea that a person must only be a full-time Member of Parliament.

I say quite clearly, however, that no attempt to influence matters in the favour of an employer through consultancy, directorship or advisory position, whether by question, early-day motion, letters to Ministers or delegations to Ministers should ever be allowed. That should be absolutely banned. Indeed, any specific lobbying for something for which a person is paid as a director should be banned.

When I was a director of Phillips Petroleum UK Ltd.—which I am not at the moment—I always declared my interest when I spoke in the House. In fact it allowed me to speak with perhaps a little more knowledge and understanding on energy matters than other hon. Members. I made it absolutely clear and bent over backwards never to allow anything that I did or said to be seen to work for the company which employed me. That is the way in which hon. Members can and should react positively and properly in the House.

Any hon. Member who takes part in and is paid to influence the House in favour of something outside his parliamentary duty should be treated most severely—even excluded from the House. If that were the case, I would see no need whatever for any revelation, publication or declaration of earnings. I warn the House that the moment we start demanding that hon. Members—even a small group of them—declare what they are earning, that is the moment we open that door. It will not be very long before other people will be pushing for the publication of every outside earning of every Member of Parliament. Then income tax will have to be made public as well. Members of Parliament have some right to a little privacy. As long as Members behave properly and honourably, as our constituents expect of us, I would urge the House to go forward in that way.

I find therefore that I cannot accept the Opposition's amendments. The approach was somewhat provocative. There is no need to demand the publication of earnings. That would be an unnecessary interference in the affairs of an Member. It in no way tells our constituents whether we are doing our job properly or not. They can judge that from what we say in the House, what we do in our

constituencies, what we say in our letters and how we pursue their interests. That has nothing to do with what we are paid.

I therefore urge the House to reject the Opposition amendments. The motions moved by my right hon. Friend the Leader of the House should be passed and passed with unanimity.

5.56 pm

Mr. D. N. Campbell-Savours (Workington): I wish to declare my relationship with the union Unison, which helped fund a surgery for my constituents in Workington.

The right hon. Member for Honiton (Sir P. Emery) would have the public believe that we are trying in some way to prevent him from having interests outside the House of Commons. May I make it absolutely clear that we are not seeking to do that at all? All we are seeking to do is ensure that, when Members use Parliament to make additional money, it should be revealed to the wider public. That is all we are trying to do, and I think that that is a perfectly fair arrangement.

Now that the right hon. Member for Old Bexley and Sidcup (Sir E. Heath) has returned to his place, may I say that his failure to realise that his 10 minutes was up at the end of his speech summed up for many of us the whole debate. Some hon. Members really believe that they are beyond the rules; that the rules do not apply to them. That is why the right hon. Gentleman failed to register an important interest of his two years ago in the House of Commons Register.

When I breach rules by using a word in this Chamber which is not even vulgar, I am asked to leave, and I am excluded from the House of Commons for 24 hours. When the right hon. Gentleman breaches a major rule of the House of Commons and acts as a fig leaf for another 11 hon. Gentlemen, his actions are ignored.

Sir Edward Heath *rose—*

Mr. Campbell-Savours: I do not intend to give way. He did not give way to me.

As far as I can see, in this debate Conservative Members intend to use every ruse in the book to ensure that multi-client consultancies are maintained, and that they retain those interests. They are out to block the reform of consultancy advocacy—they want to retain it. The reason is that they simply cannot afford to live on £33,000 a year. That is what is behind this debate. Conservative Members with two kids away at public school are spending, before tax, more than £30,000 a year; that is the truth of it. They know that, if they are to be able to fund their annual bills, they must find ways in which to use Parliament to earn extra cash. That is why many of them will never go into the Lobbies to block commercial consultancy advocacy.

Those Conservative Members will equally go to the wire on the disclosure of payments, irrespective of what happens in the Committee, irrespective of the debate outside in the country and irrespective of the national opinion polls. Many Tory Members will never, in any circumstances or in any conditions, be prepared to disclose under a banding system the amount they earn, because they simply do not want that information to be made public.

I have worked out a way in which to deal with this block. It may well be that the Select Committee on Standards in Public Life, whose report we are discussing today, has now come up against the wire. I do not think that the Committee will be able to do a lot more work, because it is up against a block. The block was shown by the defeat of the relevant motion in Committee, which many Conservative Members intend to defeat again tonight if they can.

The answer to the block is to be found in the rules of the House which provide, in exceptional circumstances, for Committees to deliberate in public. If the Select Committee deliberates in public, the block will be removed, because the moment the television cameras go into the Committee, Conservative Members will not be able to use proceedings to block the necessary reforms which we believe stand behind the Nolan proposals.

Mr. Rupert Allason (Torbay): Will the hon. Gentleman give way?

Mr. Campbell-Savours: No. I do not intend to give way.

We may appear to be setting a precedent. The reality is—we have now had a ruling to this effect—that it is possible for the Committee to deliberate in public.

Mr. Allason: Will the hon. Gentleman give way?

Mr. Campbell-Savours: I do not intend to give way.

I want to go further. Many hon. Members have referred to updating the 1947 resolution. I shall read my update, which bans advocacy; such a ban is part of the real Nolan agenda. In his report, Lord Nolan did not take the decision to ban, because, as he says, 157 Members of Parliament would be affected by such changes. Indeed, those hon. Members were elected to the House on the basis that they could retain their consultancy arrangements. Lord Nolan was not prepared to go down that road, although it is clear to anyone who has read the text that that was where his sympathies lay.

I give the House the text of a resolution that would deal with the matter—a 1995 resolution. My resolution reads as follows:

"It is contrary to the usage and dignity of the House that a Member should:

(a) bring forward by any speech or question,

(b) advocate in this House or among his fellow Members,

(c) promote either directly or indirectly with Ministers of the Crown or Crown Servants,

(d) promote amongst representatives of the local authorities or any other public bodies

(e) use the services and facilities of the House to develop, advance or promote

—any Bill, Motion, matter, or cause in return for a fee, payment, retainer, reward or benefit in kind, direct or indirect, which the Member has received, is receiving or expects to receive, or any member of his or her family has received, is receiving or expects to receive."

If at some stage we accept that proposal, which I have not tabled as a motion today for reasons that have been argued and which I perfectly understand, we shall effectively have banned consultancy advocacy, and I believe that that ban must be introduced.

We are not banning advisory consultancies. All we are saying about them is that some are dependent on membership of the House of Commons and the very exclusive knowledge that we acquire from being Members

[Mr. Campbell-Savours]

of the House. If we are advising organisations outside the House, the income, quite properly, should be declared, because the income is exclusively determined by the fact of membership of the House of Commons. Without membership, hon. Members would be of no use in providing advice.

We would go even further on general directorships. Hon. Members may be directors of companies that make widgets or, as I was once, of a company that manufactures clocks, or whatever. There is no question of contracts having to be laid, or stipulating bandings of payments. The House and the public are not interested in what Members of Parliament earn or in what directors of companies earn. We are interested only when that income derives directly from membership of the House of Commons, and when Members of Parliament advise clients under a regime in which advocacy consultancy has been abolished. Those are essentially the reforms that many of us are pursuing.

I have another way in which to proceed; I would not necessarily proceed on the basis of the motions that we intend to carry this evening, although they will be helpful. The motion that deals in principle—only in principle—with payment bandings should go through. However, I believe that we should codify all the rules in a code of conduct.

I have spent my spare time in the past few weeks drawing up a code of conduct, which sets out in detail many of the motions before the House tonight, but which also goes further, in so far as it deals with the director of the widget manufacturing company, the advisory consultancy and the advocacy consultancy. All the rules would be there in the code.

My view is simple. If we develop a code on that basis—I hope in time to be able to publish my own code—we shall meet public concerns on these matters, and we shall stop once and for all the use of this place by people who want simply to make money out of membership of it.

6.5 pm

Sir David Mitchell (Hampshire, North-West): I declare my interest as a company chairman and practising business man.

Not unnaturally, I measure my support for the motions today against the checklist I made when I spoke in the House in May and when I wrote to Lord Nolan at the start of his work. Before I go further, I join others who have congratulated my right hon. Friend the Leader of the House on the assiduity with which he and his Select Committee have worked in recent weeks. I have not known of another Committee of the House that has got through so much work in so short a time. The whole House should be grateful to my right hon. Friend.

I am at ease with much of the Committee's report, in particular with self-regulation and the code of practice. I wanted there to be an ethical adviser, especially for new Members. The Committee has gone further, but I find nothing objectionable in that.

I wanted parliamentary questions that arose from a paid external retainer or consultancy to be starred or marked in some other agreed form. I believe that this is the effect of the convoluted wording of motion 6, and I hope that my right hon. Friend the Leader of the House can confirm that I am right in that assumption. I repeat: I hope that, when my right hon. Friend winds up, he can confirm that I am right in my assumption that motion 6 will ensure that, when a Member has an interest in a question that he has tabled, it is starred or marked in some way to indicate that fact.

Mr. Newton: I can confirm that. I am afraid that my attention wandered for a moment. However, I thought that I had made that point clear in my opening speech.

Sir David Mitchell: I am grateful to my right hon. Friend for confirming that point.

There is one point of omission, unless I have misunderstood. The Committee wants the Register of Members' Interests to be updated more quickly. I believe that the recommendation should go further. I believe that no Member should act in any matter in which he has an interest if he has not already put that interest on the Register. Until he has declared that interest on the Register, he should not take any action that is a result of that external retainer. I hope that my right hon. Friend the Leader of the House will put that suggestion on to the agenda for his Committee in future sittings.

I hope that, broadly, the requirements that will be laid on Members of the House of Commons as a result of the motions today will have their parallel in the Upper House. If they did not, that would be an odd omission in the proper workings of Parliament.

I now turn to the speech made by the hon. Member for Dewsbury (Mrs. Taylor). I wrote down what she said. She said that duties should engage all our attention. Those were the words she used, as she will find when she looks at *Hansard* tomorrow. Some Members of Parliament may have an hour or an hour and a half a day in which they may want to do what they feel like doing. If such a Member spends that time pursuing a business interest, he is making himself more able to be a more useful Member of Parliament than if he simply spent it chatting to his friends or enjoying a long lunch.

We need Members with real experience of matters outside the House. I see a difference between a Member of Parliament who is advising an outside body—such as a trade association, a trade union or a company—about the effect of matters in Parliament on that body, and a Member who is accepting advice from that body. It is right that the House should recognise that there is a difference there, and there may be a broader consensus on that matter than may have been thought.

Motion 7 is a matter of controversy, and I believe that the Committee was right in its recommendation. We need to consider carefully the effects of the amendments, which could, on a hot July afternoon, stampede the House into ill-considered requirements which could have unsatisfactory and unforeseen effects. We have suffered considerably in recent years from uncertainty about the rules of the House and what is right or not right. It would be very unfortunate for the House if, through these amendments, it exchanged one lot of ambiguities for another.

There may well be areas where consensus can be reached. I do not find objectionable the registration of the non-financial terms of a contract entered into by a Member to provide services to an external organisation. There may be a consensus in the House that that might be

a way forward. But there seems to be a good deal of division in the House about publication of the amounts of payment. That, I put it to the House, is irrelevant.

The hon. Member for Dewsbury says that such amounts should be disclosed, because they show how much work a Member is doing. They do nothing of the sort. Some Members are worth £10 an hour, while others are worth £250 an hour. If a Member is paid £1,000, is it for four hours' work or 100 hours? I would not even pay £10 for some Members, but that is by the way. The amount paid is no indication of the work done, and the hon. Lady—with great respect—is quite wrong in assuming that there is a direct relationship.

The hon. Lady went on to say that the amount should be disclosed, so that it can be seen how important the work is to the Member. If a Member has nothing other than his parliamentary salary to rely on, a payment of £5,000 may be very important. But if he happens to have a private income of £20,000 or £30,000 a year, a payment of £5,000 will make practically no difference to him.

The hon. Lady is wrong in assuming that there is a direct relationship between the disclosure of the amount of money and the effect that that money has on the work that a Member is doing. It would be misleading if the House were to have such a degree of disclosure. Opposition Members wish to satisfy idle curiosity and create envy. They wish to act as levellers down in every respect. For those reasons, the House should reject the amendments and accept the motions.

6.13 pm

Mr. David Winnick (Walsall, North): Those listening to the right hon. Member for Old Bexley and Sidcup (Sir E. Heath) and, just more recently, the right hon. Member for Honiton (Sir P. Emery) would have no idea whatsoever why the Nolan committee was set up. Listening to the right hon. Member for Old Bexley and Sidcup, one could imagine that—apart from the two individuals concerned—there was no particular reason why the Nolan committee was set up, although the right hon. Gentleman did not say that the Prime Minister was wrong to do so.

I believe—like all my Labour colleagues—that the Prime Minister was right to do what he did. But it is unfortunate that the Prime Minister has not given the sort of lead to Ministers that I would like to have seen. The Prime Minister has been asked repeatedly at Question Time if he is in favour of financial disclosure, as recommended by Nolan, but he has refused to give an answer.

Apart from Tory Members, there are very few people in the country who do not recognise—as we do on the Labour Benches—that reform in the way in which we should deal with outside financial interests is absolutely essential. Is there a single newspaper in the country—I do not know of one, no matter how Tory the newspaper—that does not believe that what Nolan recommended and what we consider to be the very minimum should be put into effect?

Have any constituents written letters to say "Don't implement Nolan—it is totally wrong; it is an intrusion into privacy; you are undermining your position as Members of Parliament; it is totally alien to the parliamentary way of life"? Have the right hon. Members for Old Bexley and Sidcup and for Honiton received such letters? I very much doubt it. There is a consensus that reform is necessary. Hence the reason we believe that Nolan has made a number of recommendations on financial disclosure which are essential.

Sir Peter Emery: I have received no letters at all, on either side of the argument.

Mr. Winnick: In that case—according to the right hon. Gentleman—there is no need to proceed along the lines that the Opposition and Nolan believe to be necessary.

I must say straight away—I do not know whether I will be believed by Conservative Members or not—that I do not favour a ban on outside interests. I know that one or two of my hon. Friends are in favour of such a ban, or so they say. I can see no particular mileage for Labour Members in having full-time Tory Members. We get much more mileage the other way. One or two of my colleagues may disagree, but I do not believe that it would be useful to a Labour Government to have full-time Tory Members—whatever the numbers who manage to get into the next Parliament—doing their best, as the Opposition will do, to undermine that Labour Government.

Such a ban would be impractical. How could we have a ban on outside activities? Could we stop a Member writing a book and getting money from it? Could we try to stop a Member receiving payment for writing articles? It is simply impractical, and I have never argued in favour of that. I do not believe that many Labour Members would argue for such a ban. To some extent, such a ban could be a denial of a Member's basic civil liberties, and I would put it as strongly as that.

I have for some years written to the Chairman of the Select Committee on Members' Interests to urge that there should be at least some financial disclosure. I am not boasting at all, as the Committee Chairman and other members of the Committee will know of my interest. The right hon. Member for Old Bexley and Sidcup says that we are just trying to get information on other Members, and that it is unnecessary. I do not see the matter in that light at all.

Despite what the hon. Member for Hampshire, North-West (Sir D. Mitchell) said, there is a great deal of difference between someone receiving a relatively small sum—it may not be a relatively small to some of us, but that is by the way—of several hundred pounds or £2,000, and someone receiving a very substantial sum of money. Most people would understand that there is a difference.

I believe that Nolan's recommendations on this matter were right. I am not trying to say that I proposed all these ideas before Nolan, but in writing to the Committee at the time, I said that the exact sums were not necessary, and that the amounts should be listed in bands.

Sir Geoffrey Johnson Smith (Wealden) *indicated assent.*

Mr. Winnick: The right hon. Member for Wealden confirms that that was what I said.

Of course, outside interests can have an unfortunate effect. When apartheid was operated in South Africa, I had a strong suspicion—I was not alone in this view—about some, if not all, of the Tory Members who got up at every opportunity to say that they were against apartheid, but went on to act as apologists for the South African Government. I believe that they might have had a commercial interest of sorts.

[Mr. Winnick]

The same applies to other countries. Those who apologise for the dictatorship in China may be expressing the sincere view that there should be no protests about what is happening in that country; on the other hand, a commercial interest may be involved—who knows? It may not be, but we have understandable suspicions. It is possible that hon. Members are involved in financial dealings with companies that have relationships with countries governed by dictatorships.

When outside interests are mentioned, Conservative Members tend to say—indeed, they have said it today—that outside interests provide experience. They say, "We do not want to be full-time parliamentarians; outside interests help us in our work." It is remarkable, is it not, that the outside interest that Tory Members defend at every opportunity is very restrictive? This is not the kind of work in which the vast majority of our constituents are engaged; very few of my constituents are involved in consultancies and directorships.

I am not talking about combining the profession of barrister or solicitor with being a Member of Parliament. I find it difficult to believe that Conservative Members engage in such activities because they want to bring their experience to the Floor of the House.

My hon. Friend the Member for Workington (Mr. Campbell-Savours) is right. Why not be honest about this? I agree that there are some exceptions, but most hon. Members who take outside work of the kind that I have described do so for financial reasons: as my hon. Friend said, they do so because they want extra income. They do not want to rely on the basic parliamentary salary; they want a certain standard of living.

Although it is not a standard of living that I enjoy, or wish to enjoy, I appreciate that most Conservative Members want a different life style from that which they are likely to have on their current salary of £33,000 before deductions. As my hon. Friend also said, those with children at private schools will not get far on that amount. But why not be frank, and admit it? That would be far better than hiding behind the facade that outside work is all for the sake of parliamentary experience, and makes better Members of Parliament. No one really believes that.

What about the intrusion into our privacy? The other day, in a supplementary question, I expressed the view that there was no justification for the tabloids' intrusion into people's private lives, including the lives of a number of Members of Parliament—mainly Tory Members so far, although it could well be us on some future occasion.

When it comes to financial matters, however, what about the Register of Members' Interests? Is that not an intrusion into privacy? Which Tory Member today will stand up and say that it should not be allowed, as some did when it was to be established? The next step—an important step—is for us to clean up our act, so that we can be proud of the House of Commons rather than feeling that unsavoury actions have undermined our collective integrity and reputation. We should put that behind us. The very minimum is what Nolan has recommended, but it is clear that the right hon. Member for Honiton (Sir P. Emery) is against the principle of financial disclosure, and clearly many other Conservative Members strongly agree with him.

I believe that we are right to press our amendments and accept the principle of Nolan. As I have said, the sooner we clean up our act as a Parliament the better it will be, not only for us and our constituents but for British democracy.

6.23 pm

Sir Peter Fry (Wellingborough): I, too, declare an interest. I have always been scrupulous about that; in fact, on one occasion, the Chairman of the Select Committee on Members' Interests said that I had declared too much rather than too little.

It seems to me that Nolan was born from knee-jerk reaction out of panic—panic induced by media hysteria and political expediency.

Mr. Campbell-Savours: On a point of order, Madam Speaker. Will you ensure that the hon. Member for Wellingborough (Sir P. Fry) declares precisely what he does? He is directly affected by the debate, but he has not declared an interest.

Madam Speaker: If hon. Members have an interest to declare, it is appropriate for them to do so in this debate.

Sir Peter Fry: Thank you, Madam Speaker. May I declare immediately that for some years I have worked a multi-company consultancy? The hon. Member for Workington (Mr. Campbell-Savours) knows that perfectly well, but he may be surprised to learn that that is not the basis of my objections to some of the Nolan report.

I can live with that, however; I take the point. What I find hypocritical is the way in which the hon. Member for Dewsbury (Mrs. Taylor) defended her previous directorship of a multi-company agency. She said that she had no objection to declaring what she had been paid. That is not the point, however: under Nolan, she would be prohibited from being a director of such an agency. Was she ashamed of the work that she did for the agency? If she was not, why is it such a terrible sin today?

Mrs. Ann Taylor: I said that I accepted the Nolan recommendations, not because I am ashamed of anything that I have done in the past, but because other hon. Members have breached rules that many of us thought already existed. I think that the Nolan recommendations would help to clean up everyone's act.

Sir Peter Fry: That is interesting. It seems that the hon. Lady thought that the rules already existed, and therefore does not think that any new rules are needed.

The hon. Member for Wallasey (Ms Eagle) said that we should give something up, but declared that no one had paid her anything. It is very easy to give up something that one has never enjoyed, so hers is hardly an effective argument. The hon. Member for Walsall, North (Mr. Winnick) said that we should do what the press wants. I have no doubt that the press is very interested in the hon. Gentleman's sex life; would he allow the publication of articles about how he behaves in the privacy of his own home? As the hon. Gentleman knows, his is a stupid argument.

The important point that has emerged from the debate is that my right hon. Friend the Leader of the House is absolutely right: it is very difficult to define what should be declared and what should not.

Let me say to two members of my party—one a former Cabinet Minister—that if they seriously believe that all hon. Members who are company directors are made company directors because people like their faces, they are abusing their own position. Hon. Members on both sides of the House are given company directorships basically because they are Members of Parliament. I do not wish to name them, but I know that that is the case.

In those circumstances, it becomes exceedingly difficult for any company director to give even the faintest advice to his fellow directors or his company that could possibly impinge on his position as a Member of Parliament—if we accept the Opposition's definition. He would be put in the ludicrous position of being unable to speak in the House on many issues.

Let me say to my right hon. Friend the Member for Honiton (Sir P. Emery) that it is all very well to say that hon. Members should not take part in a debate when they have an interest. What about general issues such as company taxation or pension law? According to my right hon. Friend, it would be wrong for any hon. Member who was a director of a company affected by such issues to make a speech about them. I consider that an unfair and unworkable restriction on comment.

As has emerged in the debate, what is important is whether advocacy—being paid to pursue an interest in the House—should be banned, and whether it should be subject to a declaration of income. We have already heard quite enough arguments to show that that requires much more detailed consideration.

I see no difference between a Member of Parliament who advises a trade association and a Member of Parliament who advises a trade union. I am aware of no reason why a Member of Parliament who assists a trade association is in any way different from a Member of Parliament who is a lawyer, whose law firm advises clients, or an accountant, whose accountancy firm advises clients, or a company director, who advises his fellow directors. That is the type of problem that we must solve in the present discussion, and I hope that the Select Committee will do it.

I am sick and tired of the hypocrisy that comes from Opposition Members. [HON. MEMBERS: "Hear, Hear."] One would suppose that Labour Members of Parliament never did anything wrong, and were never influenced. I have sat on a Select Committee and watched Labour Members read the questions prepared by their trade unions, and if that is not trying to influence the course of the Select Committee, I do not know what is. So let us get away from the idea that the only hypocrisy is among Conservative Members. There is just as much among Opposition Members.

I do agree with the Opposition about one thing. It is important that we now get it right. Whether we like Nolan being created or not, we have to live with it, and presumably we must make it work in a way that is acceptable to the majority of Members. There is a great danger in going too far. The further we go, the more likely it is that we shall end up with total declaration of income, which will undoubtedly mean that the quality of people who want to stand in elections for this place will go down.

I commend my right hon. Friend the Leader of the House for the motion that he has placed before the House. It is clear, from the composition of the Committee and the contributions that those Members have made, that they are learning of the difficulties, which I and others have outlined this afternoon, in trying to define the various types of consultancies that should take place. I have faith in the Committee. I certainly have no faith in the amendments tabled by the hon. Member for Dewsbury.

6.30 pm

Mr. Paul Flynn (Newport, West): The hon. Member for Wellingborough (Sir P. Fry) said that, if transparency comes in—if the truth about what is happening to Members' income is known—the reputation of the House will suffer. Many of us would regard that as an admission of guilt.

The problem, as my hon. Friends have said, is a matter of income—not only income from outside sources, but total income—and the sums that Conservative Members are paid from outside the House affect that.

I have before me a list of 156 hon. Members who voted against our increases in wages and allowances, but who declare very substantial interests. I could read that list out, but it would take all the time available to me. Those 156 hon. Members have said that £31,000 is a proper income for Members of Parliament. If they believe that, there is no reason why they should take sums of money from outside.

What sums of money? I declare an interest—in receiving occasional fees from journalism and broadcasting, but never more than £5,000 a year. I am not sponsored, and I never will be. Conservative Members use that argument against us. The usual sums of money that come in from trade union sponsorship are very small and in almost all cases go directly to the constituency.

I believe that the Opposition should break the direct link between Members of Parliament and individual unions, because Members of Parliament should not be for hire. I know of no union that pays more than £1,000, but one Conservative Member has confessed that he receives £200,000 in income, not from what he was doing previously, and not from any job, but because he is a Member of Parliament.

It is crucial that those sums are declared. One Labour Member declares 12 jars of honey per year. It is reasonable to assume that the people who give 12 jars of honey do not get as much work out of their Member of Parliament as do the companies who pay £200,000 a year hiring a Conservative Member.

It was a sad day for the House when it approved a Select Committee recommendation that there should be transparency on Lloyd's, but its decision was not respected by very senior Members, including an ex-Prime Minister, who said that they would ignore it and that they would not give the details about their income. That was a disgraceful act against the reputation of the House of Commons, and it is what we are discussing today.

Our reputation as the mother of Parliaments has been besmirched by Conservative Members who have become used to huge incomes from outside this building. We are elected as Members for our own constituency and to represent our parties. We were not elected as Members for the transport and general workers party or the general, municipal, boilermakers and allied trades party or megagreed plc; we are here to represent our constituents.

I shall give a practical example of a road safety issue that led to hon. Members being assailed on one side by trade unions arguing a particular case. The example

[Mr. Paul Flynn]

concerns bull bars, with which I have been very much involved. A union in my constituency represents people who manufacture bull bars. Jobs were at stake. If I had been sponsored by that union, it would have put pressure on me to act in a certain way. On the other side, the firms that manufacture the bull bars would, through their trade associations, have brought pressure to bear on a Conservative Member of Parliament.

Who speaks for the victims of the accidents caused by bull bars? They cannot pay to hire any Member of the House. We do not know who they are; there is no interest there. If hon. Members say that I must speak because of my trade union—I criticise my own party in that regard—or that I must speak because of the firm, because otherwise no one will speak for them, I ask, "Who speaks for all those interests such as the charities and the people who cannot afford to hire Members of Parliament?"

The message of today's debate, and the message of Nolan, is that the country is sick of the idea that Members are paid—and paid handsomely—to represent interests. Labour Members must sever the link between unions and individual Members, which is a venal sin. The sins on the other side are mortal because the sums involved are very great.

Mr. Roy Hughes (Newport, East): I want to remind my hon. Friend, who is my colleague in Newport, that, throughout the long time that I have served in the House, I have been sponsored by the Transport and General Workers Union. I have never personally received a penny from that trade union. Any money that has been received has gone directly to my constituency party. My union card is just about my most treasured possession, and I fully support the principle of sponsorship of Members.

Mr. Flynn: I have for some time been president of the constituency party to which my hon. Friend refers. Of course there was nothing wrong with the tradition because it was established when Members had no pay. I am saying that the Government are now using that arrangement as a stick to beat us with and to undermine the principle. Such a link is not worth retaining, although we must maintain a strong link between the trade union movement and our party.

I am grateful for being called, rather unexpectedly, in the debate. The matter is of enormous importance, and it is a great shame that the Conservative Members who have spoken are obviously speaking for their interests—for their wallets—rather than for the proud principles of the mother of Parliaments.

6.37 pm

Mr. Iain Duncan Smith (Chingford): I congratulate my right hon. Friend the Leader of the House, who chaired the Select Committee on Standards in Public Life, on the way in which he handled it. Throughout our proceedings, there was constructive debate by hon. Members from all the political parties represented, which I found interesting and informative.

In some senses, I arrived at the Committee with apprehensions and anxieties, but during the debate I saw us shape and reshape aspects of the Nolan report so that we delivered to the House today, especially in the first six resolutions, something of which I think we all may feel justifiably proud.

I am especially proud of the report that we have delivered in respect of the Commissioner and the new Committee. As my right hon. Friend knows, I was especially keen on, and pursued, the idea of natural justice throughout that part of our discussions.

The thing that I am most interested in—I am keen that the House should recognise it—is that we shall have replaced what I believe is the flawed system that we have now, which is in some senses a form of kangaroo court for accused Members, with a system whereby the individual concerned, as and when they are brought before either the Commissioner or the Committee, will have the right to have someone with them as an adviser and the opportunity to cross-examine those who make allegations.

Mr. Campbell-Savours: The hon. Gentleman misrepresents the wording in the report.

Mr. Duncan Smith: If he reads the report, the hon. Gentleman will find that it does say that. We must address immediately the key question of the Committee and the Parliamentary Commissioner. The matter of the Commissioner may be linked to the code of conduct. Perhaps we should think about it a little more. One or two hon. Members have drawn my attention to the fact that, in paragraph 14, we accept that the principal duties of the Parliamentary Commissioner should include:

"Receiving and investigating complaints about the conduct of Members (whether related directly to alleged breaches of the Code or not) and reporting his findings to the Committee through the Sub-Committee appointed for that purpose."

I have talked to the hon. Member for St. Helens, North (Mr. Evans) about that issue and he referred to it earlier. We should not create a charter whereby disgruntled citizens with an axe to grind pursue hon. Members and make obscure and absurd accusations against them simply because they disagree with the way in which hon. Members go about their duties. Constituents have the right to decide at the end of the life of a Parliament whether they like or dislike the way in which their representatives have performed. I hope that we shall clear up that matter during further deliberation.

The critical motion—7—has caused the greatest amount of discussion and argument today. I think that, in many ways, we have managed to miss the point and the real problem. I listened to what the hon. Member for Dewsbury (Mrs. Taylor) said. At the end of a good speech, she suddenly delivered a warning—if not a threat—about tonight's vote. I accept that the hon. Lady is trying to galvanise the attitudes, the instincts and perhaps even the fears of hon. Members in an attempt to get them to think carefully about how they will vote. I have thought about what I intend to do, and I have absolutely no problem with voting down the amendments to motion 7.

One of the amendments asks us to examine the principle. I believe that it is quite impossible for us to implement the Nolan report in principle because it is impossible to ascertain what that principle is. The problem with Nolan—it will require further discussion—

Mr. Campbell-Savours: Delay.

Mr. Duncan Smith: If the hon. Gentleman would engage his brain before his mouth, he might learn

something. The problem is that, in its rush to complete the report, the Nolan committee did not address the real problem. Our constituents are most concerned about certain reprehensible activities, which have been reported in the press. The 1947 resolution clearly states that advocacy should not be allowed, but the Register of Members' Interests has confused the issue. The principle must be that paid advocacy should not be allowed, but that principle is not enshrined in the amendments.

During the Committee's hearings, I proposed an alternative which appears in paragraph 74 of the report. I have not amended it tonight, although it may have some flaws, because I intend to raise it myself and to force the House to decide whether to accept my proposals at a later stage. We must look at the 1947 resolution, define "advocacy" and then rule it out. It could take the form of being forced by an outside interest to put down written questions, to table or sign early-day motions or to table amendments to legislation. There may be further discussion about the issue; I accept that.

The point is that I will not vote for the amendments tonight because I believe that we need to go further than Nolan has gone. We must consider the problem with regard to hon. Members' outside interests. There has been much talk about the amount of money that hon. Members earn. For most hon. Members, who are remunerated with small amounts of money from a variety of different sources, such as trade unions, consultancies or multiple client agencies, the result is much the same. The fact is that that should not happen.

The best way to tackle the problem is to cut out the cancer at source: we must put a halt to advocacy. We should not try to define what companies are good or bad. Hon. Members will find ways around that. They will write new contracts and they will register their interests in a different manner. It concerns me that the Nolan report provides a means of avoiding the controls that are in place at the moment. The Register of Members' Interests is far more stringent than Nolan would have us accept. There are routes through it—the definitions are ill thought out.

We must have more time to consider the matter. We undertake to give the House the opportunity to reach a decision by the end of the Session. There is no question that that undertaking will be avoided. I shall put forward the argument that we must deal with advocacy and I hope that hon. Members will support me when the time comes. Tonight is not the time to put down a point of principle because that point of principle does not exist.

When we have completed our deliberations, we must ensure that our proposals are workable, that they will stand the test of time and that they will put a stop to the constant backbiting. Hon. Members from all political parties represent their constituents very honourably, even though they may have outside interests. The reality is that, most of the time, this place behaves with great dignity and honour. I think that it is high time that we enshrined that principle. We must offer the House a workable proposal that will stand the test of time.

6.47 pm

Mr. Jeff Rooker (Birmingham, Perry Barr): This has been a much better tempered debate than the previous one on 18 May. I think that I have missed only one speech by Conservative Members, who have certainly been less hostile to the concept of Nolan than they were on that day. In the main—I accept that there will be some resistance—hon. Members seem to accept the thrust of the Select Committee's report and the majority of the agreed amendments.

I refer in particular to natural justice and representation before the Privileges Committee, to which the hon. Member for Chingford (Mr. Duncan Smith) referred. That matter has been raised before. The Committee did appear to be a kangaroo court, but the Select Committee has now made recommendations about how the new investigatory process will work in order to achieve representation and natural justice. Although it does not involve full cross-examination, it is a much fairer and more acceptable system. There will be speedier justice because the new Privileges Committee will be able to meet when the House is not sitting.

That said, it is almost a case of the lull before the storm. Judging from the comments that have been made both inside and outside the Chamber, the end game for most hon. Members is how to kill off the two central issues that divide the House and upon which we shall vote tonight: the banning of multi-client lobbies and financial disclosure. That is the bottom line and that is where the battle lines will be drawn. The problem will not go away after today. Time may be won or it may not, but, at some point, the issue will return to haunt the Government.

I do not have time to refer to all the speeches, but I completely reject the former Prime Minister's allegation that the Opposition are trying to pry into the affairs of others. We want disclosure of activities relating to the public position of Members of Parliament—nothing more, nothing less.

Mr. Quentin Davies (Stamford and Spalding) *rose—*

Mr. Rooker: I also reject completely the suggestion that my hon. Friend the Member for Dewsbury (Mrs. Taylor) was threatening Conservative Members. Tomorrow, this debate will be fully reported in the press and hon. Members who seek to frustrate or oppose disclosure, which will only be from November anyway, on the banded basis of the money or multi-client lobby, will be listed and questions are bound to be asked.

Mr. Quentin Davies *rose—*

Mr. Rooker: The Prime Minister set up the Nolan committee to work quickly, and it has. After the Select Committee reported on 11 July, a leader in *The Independent* stated:

"The fuss that Tory MPs are making is remarkable, considering how mild is the dose of probity that Nolan has prescribed."

Mr. Quentin Davies *rose—*

Madam Speaker: Order. My understanding is that the hon. Member for Birmingham, Perry Barr (Mr. Rooker) does not wish to give way.

Mr. Rooker: I do not wish to give way, Madam Speaker.

It was stated in *The Times* on 11 July that

"it was clear long before the Nolan report was published in May that its recommendations on MPs' duty to disclose their outside interests was likely to face hostility in the Commons."

The Times commented that lack of leadership by the Prime Minister, in not saying specifically whether he agreed with Nolan, has allowed dissent on the

[Mr. Rooker]

Conservative Benches. That bodes ill for the future. We want a decision and the public rightly expect the House to make a positive decision.

I say without party rancour that it is true, save for one or two cases, that the Opposition must and have sought to avoid taking a holier than thou approach, because every Member of Parliament is tainted in the eyes of the public as a consequence of the actions of a few hon. Members. It has been made clear by some Members of Parliament in comments made outside the House that accepting Nolan would mean bringing in outsiders, wrecking hundreds of years of parliamentary sovereignty and putting the whole edifice of democracy at stake. I reject that as absolute nonsense.

I was surprised that, last week, the right hon. Member for Wokingham (Mr. Redwood)—whom I have given notice of this reference to him—made remarks that created headlines on Saturday such as

"Redwood rallies the Right with attack on Nolan"

and

"Redwood to attack Nolan in bid for right-wing crown".

He said that Nolan breached parliamentary sovereignty and that this

"undermines the very foundations of our settled and unwritten constitution."

I do not share that view, which is based on a bygone age of ignorance, trust and deference on the part of the British people. In those days, we were privileged to enjoy something that we do not have today—a law-abiding society, and a Government and Parliament that were honourable and capable. There was consensus on public service and probity among people who might be termed the elite, which created a legitimacy of popular consent outside the House. Long before I entered the House, custom and tradition were enough to restrain the abuse of office and power.

Those days are gone and Parliament must change. No change means no chance for Parliament in the court of public opinion, which is the court in which we find ourselves. The public want written rules and codes, and want them enforced. The public will not accept Members of Parliament being a law unto themselves because they are the law makers. Members of Parliament for hire give the impression of a Parliament for hire, and we must stamp that out. We are hired by our constituents and that is where it should stop. Why should Members of Parliament who hire themselves out want to prevent disclosure of the contracts and financial amounts involved? Is it because they pretend to have influence with Ministers and officials in exchange for reward? If so, we should be told and the public should know. If a local councillor did the same, he would be committing an offence.

No honourable Member of Parliament can claim in the House tonight that implementing all of Nolan in spirit and in practice would interfere with any of our prime functions, which are to represent our constituents, hold the Government to account and serve as the forum of the nation in which ideas can be debated—whether they be good, bad or tasteless. The conduct of policy and politics must change and be seen to change. The decline in deference is to be welcomed, but the decline in consensus and trust between Government and the governed, between Parliament and the people, is to be deplored.

Members of Parliament are responsible for leadership and for setting a new agenda. We are responsible for leaving the political process in a better, healthier state than the one in which we found it. That can only be done if we vote tonight to start implementing in full all the Nolan recommendations.

6.55 pm

Mr. Newton: I agree with the opening remark of the hon. Member for Birmingham, Perry Bar (Mr. Rooker), that this debate was of significantly better quality than the one on 18 May, a week after the Nolan report was published. I say with a tinge of regret that the tone just adopted by the hon. Gentleman did not contribute to that better quality. I could have wished that the hon. Gentleman had adopted a calmer and more measured tone, in the way that informed the majority of today's speeches.

Mr. Stephen: Is my right hon. Friend aware that a high proportion of Labour Members receive benefits under contracts for trade unions not just for asking a couple of questions but questions by the sackload, generated by union research departments? Worse, Labour Members speak on behalf of trade unions, as we saw in last week's debate on the railways. Worst of all, Labour Members vote in the interests of trade unions. Should not that sort of thing be banned?

Mr. Newton: That point is touched on in the Nolan report and it relates to a question that I put to the hon. Member for Dewsbury (Mrs. Taylor) during her speech. It is plain from paragraph 14 on page 4 of the report, where its recommendations are summarised, that it is envisaged that the same rules as would apply in respect of consultancies in certain circumstances would apply also to trade union sponsorship—including the value of any support services, which can be significant. I agree with my hon. Friend that that aspect should be taken into account, and it will be taken into account in the continuing work of the Select Committee that I have been chairing, if the House agrees to motion 7.

Mr. David Wilshire (Spelthorne): I arrived for this debate minded to vote for the Opposition amendments, but having listened to most of the debate, I am persuaded that there are matters of real detail. I still support the case for transparency, so can my right hon. Friend assure me that if I vote with him tonight, I will not be voting for deliberate delay and for undermining the Nolan report?

Mr. Newton: I hope and believe that I can give my hon. Friend that assurance. I was going to say, emboldened by the remarks of a number of hon. Members on both sides of the House—not least members of the Committee, who were good enough to say kind words about my chairmanship of it—that no member of the Committee could credibly claim that I have been leading and chairing the Committee in a way designed to cause delay and to avoid the best possible progress.

I acknowledge, of course, that everything must ultimately rest on my word. I hope, however, that my conduct as Chairman of the Select Committee on Standards in Public Life and what has been said about that in the debate lends credibility to the assurance that I give my hon. Friend that deliberate delay is not the purpose. I hope that I read the hon. Member for Dewsbury aright and that I am not putting words into her mouth

when I say that in her opening remarks she came close to saying that when I first sketched the proposal for a Select Committee, first privately to her and then more publicly in the debate on 18 May, she thought that I was trying to push the whole issue into the long grass and have delay, but had changed her mind during the Committee's proceedings.

Mrs. Ann Taylor: The Leader of the House will recall that at the end of the debate on 18 May I asked him to specify the Committee's remit, and it was that on which we negotiated. The issue was whether we could clarify and implement the recommendations. That was critical. There has not been delay except for the crunch issue.

Mr. Newton: I am grateful to the hon. Lady. Our exchanges led to the terms of reference, to the date of 7 July being set, to the intensive programme of activity that the Committee has undertaken and to a substantial number of motions being put to the House in an almost incredibly short period. That lends credibility to the assurance that I have given my hon. Friend the Member for Spelthorne (Mr. Wilshire). I want to assure the hon. Members for Workington (Mr. Campbell-Savours) and for Wallasey (Ms Eagle), who if I may put it in this way were among the sceptics, that our purpose is not delay.

I shall try to lend credibility to something that by definition is not capable of absolute proof. I do not believe that the terms of motion 7 are consistent with delay, pushing into the long grass, trying to bury or whatever. The fact that the Committee has power to meet during the recess, unlike the Privileges Committee, for example, until last night or the night before, is not consistent with delay. The fact that I have arranged a meeting for tomorrow afternoon, on the first day of the recess, is not consistent with delay. It is not consistent with delay that I have asked members of the Committee to bring their diaries with them tomorrow afternoon with a view to ascertaining whether we can arrange some meetings in September, it being not unreasonable for them to be away a bit during August.

Ms Eagle: The Leader of the House rightly identifies me as something of a sceptic. Will he try to reassure me further by taking the opportunity to say that the Committee will be trying to implement the Nolan recommendations in two crucial areas rather than merely examining them? As a sceptic, I am worried that examination will lead to excuses not to implement the crucial recommendations to declare levels and to ban multi-client consultancies.

Mr. Newton: I shall not reiterate what I have said. I shall seek to ensure that the Committee will proceed, as it has proceeded, faithfully to fulfil its terms of reference, to advise the House on how the Nolan recommendations might be clarified and implemented, and to put forward specific motions on which the House might decide. We have demonstrated that we have been able to do that in areas that appeared to be extremely difficult six to eight weeks ago. I believe that we shall be able to do so in other areas but that remains to be demonstrated.

There is another reason why I believe that approach to be the right one, and it has been demonstrated clearly by the debate. There has been almost no comment or criticism on and of any of the motions that I have proposed with the exception of the one that is undoubtedly contentious. On 18 May, however, there was near revolution in some quarters over the very idea that we might have a Commissioner for Parliamentary Standards. By painstakingly working through the proposals and devising the arrangements that are reflected in motion 3, we have been able to bring proposals before the House that I judge, on the basis of the debate, to be broadly and generally acceptable to right hon. and hon. Members on both sides of the House.

Significant reservation has been expressed about only one of our proposals, and that was by my right hon. Friend the Member for Old Bexley and Sidcup (Sir E. Heath). I suggested within the Committee that there should be the establishment of a new Committee of standards and privileges. I shall not rehearse all the arguments. In my view, that suggestion, if implemented, would not lower the status of the Privileges Committee but would raise the status of the work that has hitherto been done by the Select Committee on Members' Interests. I do not believe that the new Committee wold be any less prestigious than the Privileges Committee has been over the years. I do not intend that it should be.

The proposal, if implemented, would avoid the difficult overlap that has occurred in recent times between investigations of the Select Committee on Members' Interests and the Privileges Committee. I think that that overlap was in the mind of my right hon. Friend the Member for Old Bexley and Sidcup. I remind him that it was the hon. Member for Dewsbury, I think, who said that it was specifically envisaged that the new Committee would have the power to create sub-committees partly to deal with or to meet the problem of overlap should it arise.

Mr. Tony Marlow (Northampton, North): Perhaps my right hon. Friend will quickly answer the point made by my hon. Friend the Member for Chingford (Mr. Duncan Smith): that if an Opposition Member, or even a Conservative Member, is bad at answering his constituency correspondence and is not seen in the constituency enough, that will be a matter for the electorate and not for the commissioner.

Mr. Newton: Yes, of course I can. The hon. Member for St. Helens, North (Mr. Evans) will confirm that we discussed that very issue in the Committee. We recognised that there could be a channel for vexatious complaints of any sort. If my hon. Friend reads the report carefully he will find that a number of the provisions that we have suggested are explicitly designed to avoid such a channel opening, which I think he and every other Member would think unreasonable. That approach is partly responsible for the passage in paragraph 26 of the report of the Select Committee on Standards in Public Life, which reads:

> "Where, however, the Commissioner decided that no prima facie case had been established, he would merely report the facts to the Committee. The Committee would inform both the complainant and the Member concerned, but no details of the complaint would be published."

That is an important safeguard that is directed exactly to the concern that my hon. Friend has expressed.

Those who are members of the Select Committee will have had a sense of déjà vu during the course of some of the arguments that have been advanced this evening. Without insulting anyone, I hope, I should say that little has been said during the debate that appeared to me to add significantly to the arguments that were deployed before

[Mr. Newton]

the Select Committee and lead me to feel that I should respond in a significantly different way, or additionally, from or to my comments in opening the debate.

I have not heard seriously questioned from the Opposition Front Bench or from the Back Benches on either side of the House the real need to undertake more detailed work before anyone can be sure of what we are talking about when we say implement Nolan. My recommendation remains that the House should pass motion 7 as it stands.

Question put and agreed to.

Resolved,

That the appointment of a Parliamentary Commissioner for Standards be set in hand under arrangements to be made by Madam Speaker on the advice of the House of Commons Commission and in accordance with the recommendations of the Select Committee on Standards in Public Life.

SELECT COMMITTEE ON STANDARDS AND PRIVILEGES

Resolved,

That, with effect from the beginning of the next Session, a new Select Committee on Standards and Privileges should be established to take over the existing functions of the Committee of Privileges and the Select Committee on Members' Interests and to consider complaints concerning Members' conduct referred to it by the Parliamentary Commissioner for Standards.—[*Mr. Newton.*]

CODE OF CONDUCT

Resolved,

That this House endorses the principle of a Code of Conduct, and instructs the appropriate Select Committee to prepare such a draft Code for approval as soon as possible, taking into account the suggestions of the Nolan Committee and any relevant overseas analogues; and whilst restating its commitment to the objectives of the Resolution of the House of 15th July 1947 relating to Privileges, accepts the need to review its wording in the context of the work to be undertaken on the draft Code.—[*Mr. Newton.*]

MEMBERS' INTERESTS (DECLARATION)

Resolved,

That, with effect from the beginning of the next Session, the Resolution of the House of 12th June 1975 relating to Members' Interests (Declaration) (No. 2) be amended by leaving out the words "the giving of any written notice or".—[*Mr. Newton.*]

CONSULTANCIES AND DISCLOSURES IN THE REGISTER OF MEMBERS' INTERESTS

Motion made, and Question proposed,

That this House endorses the need for an examination of the recommendations of the Nolan Committee relating to consultancies (including multi-client consultancies) and disclosures in the Register of Members' Interests; and instructs the Select Committee on Standards in Public Life to conduct such an examination and to seek to bring forward proposals on these matters by the end of the current Session.—[*Mr. Newton.*]

Amendment proposed: (a), line 1, leave out from 'That' to end and add

'from the beginning of the next Session Members should be required to deposit in full with the Parliamentary Commissioner for Standards any contracts relating to the provision of services in their capacity as Members; that such contracts should be available for public inspection; that from the same time Members should be required to declare in the Register their annual remuneration in respect of such agreements; that the use of bands of up to £1,000 and thereafter every £5,000 be treated as an acceptable way of complying with this requirement; and that an estimate of the monetary value of benefits in kind, including support services, should also be included.'.—[*Mrs. Ann Taylor.*]

Amendment proposed to the proposed amendment: (x), in line 9, at end add

'subject to the proviso that this Resolution shall only take effect if the Select Committee on Standards in Public Life has not brought forward proposals on these matters by the end of the current session which define precisely the meaning of contracts relating to the provision of services in their capacity as Members.'.—[*Mr. Maclennan.*]

Question put, That the amendment to the proposed amendment be made:—

The House divided: Ayes 15, Noes 515.

Division No. 211] **[7.09 pm**

AYES

Beith, Rt Hon A J
Bruce, Malcolm *(Gordon)*
Campbell, Menzies *(Fife NE)*
Chidgey, David
Foster, Don *(Bath)*
Harvey, Nick
Jones, Nigel *(Cheltenham)*
Kennedy, Charles *(Ross,C&S)*
Lynne, Ms Liz
Maclennan, Robert
Maddock, Diana
Michie, Mrs Ray *(Argyll & Bute)*
Rendel, David
Taylor, Matthew *(Truro)*
Tyler, Paul

Tellers for the Ayes:
Mr. Archy Kirkwood and
Mr. Simon Hughes.

NOES

Adams, Mrs Irene
Ainger, Nick
Ainsworth, Peter *(East Surrey)*
Ainsworth, Robert *(Cov'try NE)*
Alexander, Richard
Alison, Rt Hon Michael *(Selby)*
Allason, Rupert *(Torbay)*
Allen, Graham
Amess, David
Ancram, Michael
Anderson, Donald *(Swansea E)*
Anderson, Ms Janet *(Ros'dale)*
Arbuthnot, James
Armstrong, Hilary
Arnold, Jacques *(Gravesham)*
Arnold, Sir Thomas *(Hazel Grv)*
Ashby, David
Ashton, Joe
Atkins, Rt Hon Robert
Atkinson, David *(Bour'mouth E)*
Atkinson, Peter *(Hexham)*
Austin-Walker, John
Baker, Rt Hon Kenneth *(Mole V)*
Baker, Nicholas *(North Dorset)*
Baldry, Tony
Banks, Matthew *(Southport)*
Banks, Robert *(Harrogate)*
Banks, Tony *(Newham NW)*
Barnes, Harry
Barron, Kevin
Bates, Michael
Batiste, Spencer
Battle, John
Bayley, Hugh
Beckett, Rt Hon Margaret
Bellingham, Henry
Bendall, Vivian
Benn, Rt Hon Tony
Bennett, Andrew F
Benton, Joe
Beresford, Sir Paul
Berry, Roger
Betts, Clive
Biffen, Rt Hon John
Blair, Rt Hon Tony
Blunkett, David
Boateng, Paul
Bonsor, Sir Nicholas
Booth, Hartley
Boswell, Tim
Bottomley, Peter *(Eltham)*
Bottomley, Rt Hon Virginia
Bowden, Sir Andrew
Bowis, John
Boyson, Rt Hon Sir Rhodes
Bradley, Keith
Brandreth, Gyles
Bray, Dr Jeremy
Brazier, Julian
Bright, Sir Graham
Brooke, Rt Hon Peter
Brown, Gordon *(Dunfermline E)*
Brown, M *(Brigg & Cl'thorpes)*
Brown, N *(N'c'tle upon Tyne E)*
Browning, Mrs Angela
Bruce, Ian *(Dorset)*
Budgen, Nicholas
Burden, Richard
Burt, Alistair
Butler, Peter
Butterfill, John
Byers, Stephen
Cabom, Richard
Callaghan, Jim
Campbell, Mrs Anne *(C'bridge)*
Campbell, Ronnie *(Blyth V)*
Campbell-Savours, D N
Canavan, Dennis
Cann, Jamie
Carrington, Matthew
Carttiss, Michael
Cash, William

Channon, Rt Hon Paul
Chapman, Sydney
Chisholm, Malcolm
Church, Judith
Clapham, Michael
Clappison, James
Clark, Dr David *(South Shields)*
Clarke, Eric *(Midlothian)*
Clarke, Rt Hon Kenneth *(Rushcliff)*
Clarke, Tom *(Monklands W)*
Clelland, David
Clwyd, Mrs Ann
Coe, Sebastian
Coffey, Ann
Colvin, Michael
Congdon, David
Connarty, Michael
Conway, Derek
Cook, Frank *(Stockton N)*
Coombs, Anthony *(Wyre For'st)*
Coombs, Simon *(Swindon)*
Cope, Rt Hon Sir John
Corbett, Robin
Corbyn, Jeremy
Cormack, Sir Patrick
Corston, Jean
Cousins, Jim
Cox, Tom
Cran, James
Cummings, John
Cunliffe, Lawrence
Cunningham, Jim *(Covy SE)*
Cunningham, Rt Hon Dr John
Cunningham, Roseanna
Curry, David *(Skipton & Ripon)*
Dalyell, Tam
Darling, Alistair
Davidson, Ian
Davies, Bryan *(Oldham C'tral)*
Davies, Rt Hon Denzil *(Llanelli)*
Davies, Quentin *(Stamford)*
Davies, Ron *(Caerphilly)*
Davis, David *(Boothferry)*
Davis, Terry *(B'ham, H'dge Hl)*
Denham, John
Deva, Nirj Joseph
Devlin, Tim
Dewar, Donald
Dicks, Terry
Dixon, Don
Dobson, Frank
Dorrell, Rt Hon Stephen
Douglas-Hamilton, Lord James
Dover, Den
Dowd, Jim
Duncan, Alan
Duncan-Smith, Iain
Dunn, Bob
Durant, Sir Anthony
Dunwoody, Mrs Gwyneth
Dykes, Hugh
Eagle, Ms Angela
Eastham, Ken
Eggar, Rt Hon Tim
Elletson, Harold
Emery, Rt Hon Sir Peter
Etherington, Bill
Evans, David *(Welwyn Hatfield)*
Evans, John *(St Helens N)*
Evans, Jonathan *(Brecon)*
Evans, Roger *(Monmouth)*
Ewing, Mrs Margaret
Faber, David
Fabricant, Michael
Fatchett, Derek
Faulds, Andrew
Fenner, Dame Peggy
Field, Frank *(Birkenhead)*
Fishburn, Dudley
Flynn, Paul
Forman, Nigel
Forsyth, Rt Hon Michael *(Stirling)*
Forth, Eric
Foster, Rt Hon Derek
Foulkes, George
Fox, Sir Marcus *(Shipley)*
Fraser, John
Freeman, Rt Hon Roger
French, Douglas
Fry, Sir Peter
Fyfe, Maria
Galbraith, Sam
Gale, Roger
Gapes, Mike
Gardiner, Sir George
Garel-Jones, Rt Hon Tristan
Garnier, Edward
Garrett, John
George, Bruce
Gerrard, Neil
Gilbert, Rt Hon Dr John
Gillan, Cheryl
Godman, Dr Norman A
Godsiff, Roger
Golding, Mrs Llin
Goodlad, Rt Hon Alastair
Gorst, Sir John
Graham, Thomas
Grant, Sir A *(SW Cambs)*
Greenway, Harry *(Ealing N)*
Greenway, John *(Ryedale)*
Griffiths, Nigel *(Edinburgh S)*
Griffiths, Win *(Bridgend)*
Grocott, Bruce
Grylls, Sir Michael
Gummer, Rt Hon John Selwyn
Gunnell, John
Hague, William
Hain, Peter
Hall, Mike
Hamilton, Rt Hon Sir Archibald
Hampson, Dr Keith
Hanley, Rt Hon Jeremy
Hannam, Sir John
Hanson, David
Hardy, Peter
Hargreaves, Andrew
Harman, Ms Harriet
Harris, David
Haselhurst, Sir Alan
Hattersley, Rt Hon Roy
Hawkins, Nick
Hawksley, Warren
Hayes, Jerry
Heald, Oliver
Heath, Rt Hon Sir Edward
Heathcoat-Amory, David
Henderson, Doug
Hendry, Charles
Heseltine, Rt Hon Michael
Hicks, Robert
Higgins, Rt Hon Sir Terence
Hill, Keith *(Streatham)*
Hinchliffe, David
Hodge, Margaret
Hoey, Kate
Hogg, Rt Hon Douglas *(G'tham)*
Hogg, Norman *(Cumbernauld)*
Hood, Jimmy
Horn, Gerry
Horam, John
Howard, Rt Hon Michael
Howarth, Alan *(Strat'rd-on-A)*
Howarth, George *(Knowsley North)*
Howell, Sir Ralph *(N Norfolk)*
Howells, Dr. Kim *(Pontypridd)*
Hoyle, Doug
Hughes, Kevin *(Doncaster N)*
Hughes, Robert G *(Harrow W)*
Hughes, Roy *(Newport E)*
Hunt, Rt Hon David *(Wirral W)*
Hunt, Sir John *(Ravensbourne)*
Hunter, Andrew
Hurd, Rt Hon Douglas
Hutton, John
Illsley, Eric
Ingram, Adam
Jack, Michael
Jackson, Glenda *(H'stead)*
Jackson, Helen *(Sheffld, H)*
Jamieson, David
Janner, Greville
Jenkin, Bernard
Jessel, Toby
Johnson Smith, Sir Geoffrey
Jones, Gwilym *(Cardiff N)*
Jones, Jon Owen *(Cardiff C)*
Jones, Lynne *(B'ham S O)*
Jones, Martyn *(Clwyd, SW)*
Jones, Robert B *(W Hertfdshr)*
Jopling, Rt Hon Michael
Jowell, Tessa
Kennedy, Jane *(L'pool Br'dg'n)*
Key, Robert
Khabra, Piara S
Kilfoyle, Peter
Kirkhope, Timothy
Knapman, Roger
Knight, Mrs Angela *(Erewash)*
Knight, Greg *(Derby N)*
Knight, Dame Jill *(Bir'm E'st'n)*
Knox, Sir David
Kynoch, George *(Kincardine)*
Lait, Mrs Jacqui
Lamont, Rt Hon Norman
Lang, Rt Hon Ian
Lawrence, Sir Ivan
Leigh, Edward
Lennox-Boyd, Sir Mark
Lestor, Joan *(Eccles)*
Lewis, Terry
Lidington, David
Lightbown, David
Lilley, Rt Hon Peter
Litherland, Robert
Lloyd, Rt Hon Sir Peter *(Fareham)*
Lloyd, Tony *(Stretford)*
Lord, Michael
Loyden, Eddie
Luff, Peter
Lyell, Rt Hon Sir Nicholas
McAllion, John
McCartney, Ian
Macdonald, Calum
MacGregor, Rt Hon John
MacKay, Andrew
McKelvey, William
Mackinlay, Andrew
Maclean, Rt Hon David
McLeish, Henry
McLoughlin, Patrick
McMaster, Gordon
McNair-Wilson, Sir Patrick
McNamara, Kevin
MacShane, Denis
McWilliam, John
Madden, Max
Madel, Sir David
Mahon, Alice
Maitland, Lady Olga
Major, Rt Hon John
Malone, Gerald
Mandelson, Peter
Mans, Keith
Marek, Dr John
Marland, Paul
Marshall, David *(Shettleston)*
Marshall, Jim *(Leicester, S)*
Marshall, Sir Michael *(Arundel)*
Martin, Michael J *(Springburn)*
Martlew, Eric
Mates, Michael
Mawhinney, Rt Hon Dr Brian
Maxton, John
Mayhew, Rt Hon Sir Patrick
Meacher, Michael
Mellor, Rt Hon David
Merchant, Piers
Michael, Alun
Michie, Bill *(Sheffield Heeley)*
Milburn, Alan
Miller, Andrew
Mills, Iain
Mitchell, Andrew *(Gedling)*
Mitchell, Sir David *(NW Hants)*
Moate, Sir Roger
Monro, Sir Hector
Montgomery, Sir Fergus
Moonie, Dr Lewis
Morgan, Rhodri
Morley, Elliot
Morris, Rt Hon Alfred *(Wy'nshawe)*
Morris, Estelle *(B'ham Yardley)*
Morris, Rt Hon John *(Aberavon)*
Moss, Malcolm
Mowlam, Marjorie
Mudie, George
Mullin, Chris
Murphy, Paul
Needham, Rt Hon Richard
Nelson, Anthony
Neubert, Sir Michael
Newton, Rt Hon Tony
Nicholls, Patrick
Nicholson, Emma *(Devon West)*
Norris, Steve
O'Brien, Mike *(N W'kshire)*
O'Brien, William *(Normanton)*
O'Hara, Edward
Olner, Bill
O'Neill, Martin
Onslow, Rt Hon Sir Cranley
Oppenheim, Phillip
Orme, Rt Hon Stanley
Ottaway, Richard
Page, Richard
Paice, James
Parry, Robert
Patnick, Sir Irvine
Pattie, Rt Hon Sir Geoffrey
Peacock, Mrs Elizabeth
Pearson, Ian
Pendry, Tom
Pickles, Eric
Pickthall, Colin
Pike, Peter L
Pope, Greg
Portillo, Rt Hon Michael
Powell, Ray *(Ogmore)*
Powell, William *(Corby)*
Prentice, Gordon *(Pendle)*
Prescott, Rt Hon John
Primarolo, Dawn
Purchase, Ken

Quin, Ms Joyce
Radice, Giles
Randall, Stuart
Rathbone, Tim
Raynsford, Nick
Redwood, Rt Hon John
Renton, Rt Hon Tim
Richards, Rod
Riddick, Graham
Robathan, Andrew
Roberts, Rt Hon Sir Wyn
Robertson, George *(Hamilton)*
Robertson, Raymond *(Ab'd'n S)*
Robinson, Geoffrey *(Co'try NW)*
Robinson, Mark *(Somerton)*
Roche, Mrs Barbara
Roe, Mrs Marion *(Broxbourne)*
Rogers, Allan
Rooker, Jeff
Ross, Ernie *(Dundee W)*
Rowe, Andrew *(Mid Kent)*
Rowlands, Ted
Ruddock, Joan
Rumbold, Rt Hon Dame Angela
Sackville, Tom
Sainsbury, Rt Hon Sir Timothy
Salmond, Alex
Sedgemore, Brian
Shaw, Sir Giles *(Pudsey)*
Sheerman, Barry
Sheldon, Rt Hon Robert
Shephard, Rt Hon Gillian
Shepherd, Colin *(Hereford)*
Shersby, Sir Michael
Short, Clare
Simpson, Alan
Sims, Roger
Skinner, Dennis
Smith, Andrew *(Oxford E)*
Smith, Chris *(Isl'ton S & F'sbury)*
Smith, Sir Dudley *(Warwick)*
Smith, Llew *(Blaenau Gwent)*
Snape, Peter
Soames, Nicholas
Spearing, Nigel
Speed, Sir Keith
Spellar, John
Spencer, Sir Derek
Spicer, Sir James *(W Dorset)*
Spicer, Michael *(S Worcs)*
Spink, Dr Robert
Spring, Richard
Sproat, Iain
Squire, Rachel *(Dunfermline W)*
Squire, Robin *(Hornchurch)*
Stanley, Rt Hon Sir John
Steen, Anthony
Steinberg, Gerry
Stephen, Michael
Stern, Michael
Stevenson, George
Stott, Roger
Strang, Dr. Gavin
Straw, Jack
Streeter, Gary
Sumberg, David
Sutcliffe, Gerry
Sweeney, Walter
Tapsell, Sir Peter
Taylor, Mrs Ann *(Dewsbury)*
Taylor, Ian *(Esher)*
Taylor, John M *(Solihull)*
Temple-Morris, Peter
Thomason, Roy
Thompson, Sir Donald *(C'er V)*
Thompson, Jack *(Wansbeck)*
Thompson, Patrick *(Norwich N)*
Thornton, Sir Malcolm
Thurnham, Peter
Timms, Stephen
Tipping, Paddy
Touhig, Don
Townend, John *(Bridlington)*
Townsend, Cyril D *(Bexl'yh'th)*
Tracey, Richard
Tredinnick, David
Trend, Michael
Turner, Dennis
Vaughan, Sir Gerard
Vaz, Keith
Viggers, Peter
Waldegrave, Rt Hon William
Walden, George
Walker, Rt Hon Sir Harold
Waller, Gary
Walley, Joan
Ward, John
Wardell, Gareth *(Gower)*
Wardle, Charles *(Bexhill)*
Wareing, Robert N
Waterson, Nigel
Watson, Mike
Watts, John
Wells, Bowen
Welsh, Andrew
Wheeler, Rt Hon Sir John
Whitney, Ray
Whittingdale, John
Wicks, Malcolm
Widdecombe, Ann
Wiggin, Sir Jerry
Wilkinson, John
Willetts, David
Williams, Rt Hon Alan *(Sw'n W)*
Williams, Alan W *(Carmarthen)*
Wilshire, David
Wilson, Brian
Winnick, David
Winterton, Mrs Ann *(Congleton)*
Winterton, Nicholas *(Macc'fld)*
Wise, Audrey
Wolfson, Mark
Wood, Timothy
Worthington, Tony
Wray, Jimmy
Wright, Dr Tony
Yeo, Tim
Young, David *(Bolton SE)*
Young, Rt Hon Sir George

Tellers for the Noes:
Mr. Simon Burns and Dr. Liam Fox.

Question accordingly negatived.

Question put, That amendment (a) be made:—

The House divided: Ayes 248, Noes 282.

Division No. 212] **[7.25 pm**

AYES

Adams, Mrs Irene
Ainger, Nick
Ainsworth, Robert *(Cov'try NE)*
Allen, Graham
Anderson, Donald *(Swansea E)*
Anderson, Ms Janet *(Ros'dale)*
Armstrong, Hilary
Austin-Walker, John
Banks, Tony *(Newham NW)*
Barnes, Harry
Barron, Kevin
Battle, John
Bayley, Hugh
Beckett, Rt Hon Margaret
Benn, Rt Hon Tony
Bennett, Andrew F
Benton, Joe
Berry, Roger
Betts, Clive
Blair, Rt Hon Tony
Blunkett, David
Boateng, Paul
Bradley, Keith
Bray, Dr Jeremy
Brown, Gordon *(Dunfermline E)*
Brown, N *(N'c'tle upon Tyne E)*
Burden, Richard
Byers, Stephen
Cabom, Richard
Callaghan, Jim
Campbell, Mrs Anne *(C'bridge)*
Campbell, Ronnie *(Blyth V)*
Campbell-Savours, D N
Canavan, Dennis
Cann, Jamie
Chisholm, Malcolm
Church, Judith
Clapham, Michael
Clark, Dr David *(South Shields)*
Clarke, Eric *(Midlothian)*
Clarke, Tom *(Monklands W)*
Clelland, David
Clwyd, Mrs Ann
Coffey, Ann
Connarty, Michael
Cook, Frank *(Stockton N)*
Cook, Robin *(Livingston)*
Corbett, Robin
Corbyn, Jeremy
Corston, Jean
Cousins, Jim
Cox, Tom
Cummings, John
Cunliffe, Lawrence
Cunningham, Jim *(Covy SE)*
Cunningham, Rt Hon Dr John
Cunningham, Roseanna
Davis, Cynog
Dalyell, Tam
Darling, Alistair
Davidson, Ian
Davies, Bryan *(Oldham C'tral)*
Davies, Rt Hon Denzil *(Llanelli)*
Davies, Ron *(Caerphilly)*
Davis, Terry *(B'ham, H'dge Hl)*
Denham, John
Dewar, Donald
Dixon, Don
Dobson, Frank
Dowd, Jim
Dunwoody, Mrs Gwyneth
Eagle, Ms Angela
Eastham, Ken
Etherington, Bill
Ewing, Mrs Margaret
Fatchett, Derek
Faulds, Andrew
Field, Frank *(Birkenhead)*
Flynn, Paul
Foster, Rt Hon Derek
Foulkes, George
Fraser, John
Fyfe, Maria
Galbraith, Sam
Gapes, Mike
Garrett, John
George, Bruce
Gerrard, Neil
Gilbert, Rt Hon Dr John
Godman, Dr Norman A
Godsiff, Roger
Golding, Mrs Llin
Graham, Thomas
Griffiths, Nigel *(Edinburgh S)*
Griffiths, Win *(Bridgend)*
Grocott, Bruce
Gunnell, John
Hain, Peter
Hall, Mike
Hanson, David
Hardy, Peter
Harman, Ms Harriet
Hattersley, Rt Hon Roy
Henderson, Doug
Hill, Keith *(Streatham)*
Hinchliffe, David
Hodge, Margaret
Hoey, Kate
Hogg, Norman *(Cumbernauld)*
Hood, Jimmy
Hoon, Geoffrey
Howarth, Alan *(Straf'rd-on-A)*
Howarth, George *(Knowsley North)*
Howells, Dr. Kim *(Pontypridd)*
Hoyle, Doug
Hughes, Kevin *(Doncaster N)*
Hughes, Robert *(Aberdeen N)*
Hughes, Roy *(Newport E)*
Hutton, John
Illsley, Eric
Ingram, Adam
Jackson, Glenda *(H'stead)*
Jackson, Helen *(Sheff'ld, H)*
Jamieson, David
Janner, Greville
Jones, Barry *(Alyn and D'side)*
Jones, Ieuan Wyn *(Ynys Môn)*
Jones, Jon Owen *(Cardiff C)*
Jones, Lynne *(B'ham S O)*
Jones, Martyn *(Clwyd, SW)*
Jowell, Tessa
Kennedy, Jane *(L'pool Br'dg'n)*
Khabra, Piara S
Kilfoyle, Peter
Lestor, Joan *(Eccles)*
Lewis, Terry
Litherland, Robert
Livingstone, Ken
Lloyd, Tony *(Stretford)*
Loyden, Eddie
McAllion, John
McCartney, Ian
Macdonald, Calum
McKelvey, William

Mackinlay, Andrew
McLeish, Henry
McMaster, Gordon
McNamara, Kevin
MacShane, Denis
McWilliam, John
Madden, Max
Mahon, Alice
Mandelson, Peter
Marek, Dr John
Marshall, David *(Shettleston)*
Martin, Michael J *(Springburn)*
Martlew, Eric
Maxton, John
Meacher, Michael
Michael, Alun
Michie, Bill *(Sheffield Heeley)*
Milburn, Alan
Miller, Andrew
Molyneaux, Rt Hon James
Moonie, Dr Lewis
Morgan, Rhodri
Morley, Elliot
Morris, Rt Hon Alfred *(Wy'nshawe)*
Morris, Estelle *(B'ham Yardley)*
Morris, Rt Hon John *(Aberavon)*
Mowlam, Marjorie
Mudie, George
Mullin, Chris
Murphy, Paul
O'Brien, Mike *(N W'kshire)*
O'Brien, William *(Normanton)*
O'Hara, Edward
Olner, Bill
O'Neill, Martin
Orme, Rt Hon Stanley
Parry, Robert
Pearson, Ian
Pendry, Tom
Pickthall, Colin
Pike, Peter L
Pope, Greg
Powell, Ray *(Ogmore)*
Prentice, Gordon *(Pendle)*
Prescott, Rt Hon John
Primarolo, Dawn
Purchase, Ken
Quin, Ms Joyce
Radice, Giles
Randall, Stuart
Raynsford, Nick
Robertson, George *(Hamilton)*
Robinson, Geoffrey *(Co'try NW)*
Roche, Mrs Barbara
Rogers, Allan
Rooker, Jeff
Rooney, Terry
Ross, Ernie *(Dundee W)*
Rowlands, Ted
Ruddock, Joan
Salmond, Alex
Sedgemore, Brian
Sheerman, Barry
Sheldon, Rt Hon Robert
Short, Clare
Simpson, Alan
Skinner, Dennis
Smith, Andrew *(Oxford E)*
Smith, Chris *(Isl'ton S & F'sbury)*
Smith, Llew *(Blaenau Gwent)*
Snape, Peter
Spearing, Nigel
Spellar, John
Squire, Rachel *(Dunfermline W)*
Steinberg, Gerry
Stevenson, George
Stott, Roger
Strang, Dr. Gavin
Straw, Jack
Sutcliffe, Gerry
Taylor, Mrs Ann *(Dewsbury)*
Thompson, Jack *(Wansbeck)*
Timms, Stephen
Tipping, Paddy
Touhig, Don
Trimble, David
Turner, Dennis
Vaz, Keith
Walker, Rt Hon Sir Harold
Walley, Joan
Wardell, Gareth *(Gower)*
Wareing, Robert N
Watson, Mike
Welsh, Andrew
Wicks, Malcolm
Williams, Rt Hon Alan *(Sw'n W)*
Williams, Alan W *(Carmarthen)*
Wilson, Brian
Winnick, David
Wise, Audrey
Worthington, Tony
Wray, Jimmy
Wright, Dr Tony
Young, David *(Bolton SE)*

Tellers for the Ayes:
Mr. Joseph Ashton and
Mr. John Evans.

NOES

Ainsworth, Peter *(East Surrey)*
Alexander, Richard
Alison, Rt Hon Michael *(Selby)*
Allason, Rupert *(Torbay)*
Amess, David
Ancram, Michael
Arbuthnot, James
Arnold, Jacques *(Gravesham)*
Arnold, Sir Thomas *(Hazel Grv)*
Ashby, David
Atkins, Rt Hon Robert
Atkinson, David *(Bour'mouth E)*
Atkinson, Peter *(Hexham)*
Baker, Rt Hon Kenneth *(Mole V)*
Baker, Nicholas *(North Dorset)*
Baldry, Tony
Banks, Matthew *(Southport)*
Banks, Robert *(Harrogate)*
Bates, Michael
Batiste, Spencer
Bellingham, Henry
Bendall, Vivian
Beresford, Sir Paul
Biffen, Rt Hon John
Bonsor, Sir Nicholas
Booth, Hartley
Boswell, Tim
Bottomley, Peter *(Eltham)*
Bottomley, Rt Hon Virginia
Bowden, Sir Andrew
Bowis, John
Boyson, Rt. Hon Sir Rhodes
Brandreth, Gyles
Brazier, Julian
Bright, Sir Graham
Brooke, Rt Hon Peter
Brown, M *(Brigg & Cl'thorpes)*
Browning, Mrs Angela
Bruce, Ian *(Dorset)*
Budgen, Nicholas
Burt, Alistair
Butler, Peter
Butterfill, John
Carlisle, John *(Luton North)*
Carlisle, Sir Kenneth *(Lincoln)*
Carrington, Matthew
Carttiss, Michael
Channon, Rt Hon Paul
Chapman, Sydney
Churchill, Mr
Clappison, James
Clarke, Rt Hon Kenneth *(Ru'cliff)*
Coe, Sebastian
Colvin, Michael
Congdon, David
Conway, Derek
Coombs, Anthony *(Wyre For'st)*
Coombs, Simon *(Swindon)*
Cope, Rt Hon Sir John
Cormack, Sir Patrick
Cran, James
Curry, David *(Skipton & Ripon)*
Davies, Quentin *(Stamford)*
Davis, David *(Boothferry)*
Deva, Nirj Joseph
Devlin, Tim
Dicks, Terry
Dorrell, Rt Hon Stephen
Douglas-Hamilton, Lord James
Dover, Den
Duncan, Alan
Duncan-Smith, Iain
Dunn, Bob
Durant, Sir Anthony
Dykes, Hugh
Eggar, Rt Hon Tim
Elletson, Harold
Emery, Rt Hon Sir Peter
Evans, David *(Welwyn Hatfield)*
Evans, Jonathan *(Brecon)*
Evans, Roger *(Monmouth)*
Faber, David
Fabricant, Michael
Fenner, Dame Peggy
Fishburn, Dudley
Forman, Nigel
Forsyth, Rt Hon Michael *(Stirling)*
Forth, Eric
Fox, Sir Marcus *(Shipley)*
Freeman, Rt Hon Roger
French, Douglas
Fry, Sir Peter
Gale, Roger
Gardiner, Sir George
Garel-Jones, Rt Hon Tristan
Garnier, Edward
Gillan, Cheryl
Goodlad, Rt Hon Alastair
Goodson-Wickes, Dr Charles
Gorst, Sir John
Grant, Sir A *(SW Cambs)*
Greenway, Harry *(Ealing N)*
Greenway, John *(Ryedale)*
Grylls, Sir Michael
Gummer, Rt Hon John Selwyn
Hague, William
Hamilton, Rt Hon Sir Archibald
Hamilton, Neil *(Tatton)*
Hanley, Rt Hon Jeremy
Hannam, Sir John
Hargreaves, Andrew
Harris, David
Haselhurst, Sir Alan
Hawkins, Nick
Hawksley, Warren
Hayes, Jerry
Heald, Oliver
Heath, Rt Hon Sir Edward
Heathcoat-Amory, David
Hendry, Charles
Heseltine, Rt Hon Michael
Hicks, Robert
Higgins, Rt Hon Sir Terence
Hogg, Rt Hon Douglas *(G'tham)*
Horam, John
Howard, Rt Hon Michael
Howell, Rt Hon David *(G'ilford)*
Hughes, Robert G *(Harrow W)*
Hunt, Rt Hon David *(Wirral W)*
Hunt, Sir John *(Ravensbourne)*
Hunter, Andrew
Hurd, Rt Hon Douglas
Jack, Michael
Jenkin, Bernard
Jessel, Toby
Johnson Smith, Sir Geoffrey
Jones, Gwilym *(Cardiff N)*
Jones, Robert B *(W Hertfdshr)*
Jopling, Rt Hon Michael
Key, Robert
King, Rt Hon Tom
Kirkhope, Timothy
Knapman, Roger
Knight, Mrs Angela *(Erewash)*
Knight, Greg *(Derby N)*
Knight, Dame Jill *(Bir'm E'st'n)*
Knox, Sir David
Kynoch, George *(Kincardine)*
Lait, Mrs Jacqui
Lamont, Rt Hon Norman
Lang, Rt Hon Ian
Lawrence, Sir Ivan
Leigh, Edward
Lennox-Boyd, Sir Mark
Lidington, David
Lightbown, David
Lilley, Rt Hon Peter
Lloyd, Rt Hon Sir Peter *(Fareham)*
Lord, Michael
Luff, Peter
Lyell, Rt Hon Sir Nicholas
MacGregor, Rt Hon John
MacKay, Andrew
Maclean, Rt Hon David
McLoughlin, Patrick
McNair-Wilson, Sir Patrick
Madel, Sir David
Maitland, Lady Olga
Major, Rt Hon John
Malone, Gerald
Mans, Keith
Marland, Paul
Marlow, Tony
Marshall, Sir Michael *(Arundel)*
Mates, Michael
Mawhinney, Rt Hon Dr Brian
Mayhew, Rt Hon Sir Patrick
Mellor, Rt Hon David
Merchant, Piers
Mills, Iain
Mitchell, Andrew *(Gedling)*
Mitchell, Sir David *(NW Hants)*
Moate, Sir Roger
Monro, Sir Hector
Montgomery, Sir Fergus
Moss, Malcolm
Needham, Rt Hon Richard
Nelson, Anthony
Neubert, Sir Michael
Newton, Rt Hon Tony
Nicholls, Patrick
Nicholson, David *(Taunton)*

Nicholson, Emma *(Devon West)*
Norris, Steve
Onslow, Rt Hon Sir Cranley
Oppenheim, Phillip
Ottaway, Richard
Page, Richard
Paice, James
Patnick, Sir Irvine
Patten, Rt Hon John
Pattie, Rt Hon Sir Geoffrey
Peacock, Mrs Elizabeth
Pickles, Eric
Porter, Barry *(Wirral S)*
Portillo, Rt Hon Michael
Powell, William *(Corby)*
Rathbone, Tim
Redwood, Rt Hon John
Renton, Rt Hon Tim
Richards, Rod
Riddick, Graham
Robathan, Andrew
Roberts, Rt Hon Sir Wyn
Robertson, Raymond *(Ab'd'n S)*
Robinson, Mark *(Somerton)*
Roe, Mrs Marion *(Broxbourne)*
Rowe, Andrew *(Mid Kent)*
Rumbold, Rt Hon Dame Angela
Sackville, Tom
Sainsbury, Rt Hon Sir Timothy
Shaw, Sir Giles *(Pudsey)*
Shephard, Rt Hon Gillian
Shepherd, Colin *(Hereford)*
Shersby, Sir Michael
Sims, Roger
Smith, Sir Dudley *(Warwick)*
Smith, Tim *(Beaconsfield)*
Soames, Nicholas
Speed, Sir Keith
Spencer, Sir Derek
Spicer, Sir James *(W Dorset)*
Spicer, Michael *(S Worcs)*
Spink, Dr Robert
Spring, Richard
Sproat, Iain
Squire, Robin *(Hornchurch)*
Stanley, Rt Hon Sir John
Steen, Anthony
Stephen, Michael
Stern, Michael
Streeter, Gary
Sumberg, David
Sweeney, Walter
Tapsell, Sir Peter
Taylor, Ian *(Esher)*
Taylor, John M *(Solihull)*
Temple-Morris, Peter
Thomason, Roy
Thompson, Sir Donald *(C'er V)*
Thompson, Patrick *(Norwich N)*
Thornton, Sir Malcolm
Thurnham, Peter
Townend, John *(Bridlington)*
Townsend, Cyril D *(Bexl'yh'th)*
Tracey, Richard
Tredinnick, David
Trend, Michael
Vaughan, Sir Gerard
Viggers, Peter
Waldegrave, Rt Hon William
Walden, George
Waller, Gary
Ward, John
Wardle, Charles *(Bexhill)*
Waterson, Nigel
Watts, John
Wells, Bowen
Wheeler, Rt Hon Sir John
Whitney, Ray
Whittingdale, John
Widdecombe, Ann
Wiggin, Sir Jerry
Wilkinson, John
Willetts, David
Wilshire, David
Winterton, Mrs Ann *(Congleton)*
Winterton, Nicholas *(Macc'fld)*
Wolfson, Mark
Wood, Timothy
Yeo, Tim
Young, Rt Hon Sir George

Tellers for the Noes:
Mr. Simon Burns and
Dr. Liam Fox.

Question accordingly negatived.

Amendment proposed: (b), in line 1, leave out from 'endorses' to end and add,

'the principle that contracts relating to the provision of services by Members acting in that capacity should be deposited in full in the Register of Members' Interests and be available for public inspection, and that the annual remuneration from such contracts, including estimates of the monetary value of benefits in kind, should be declared in the Register; and instructs the appropriate Select Committee to prepare detailed rules to give effect to this Resolution taking account of the need for clear and workable definitions of the term "contracts" and of the case for requiring all such agreements to be put in writing.'.—[*Mrs. Ann Taylor.*]

Question put, That the amendment be made:—

The House divided: Ayes 261, Noes 283.

Division No. 213] **[7.38 pm**

AYES

Adams, Mrs Irene
Ainger, Nick
Ainsworth, Robert *(Cov'try NE)*
Allen, Graham
Anderson, Donald *(Swansea E)*
Anderson, Ms Janet *(Ros'dale)*
Armstrong, Hilary
Austin-Walker, John
Banks, Tony *(Newham NW)*
Barnes, Harry
Barron, Kevin
Battle, John
Bayley, Hugh
Beckett, Rt Hon Margaret
Beith, Rt Hon A J
Benn, Rt Hon Tony
Bennett, Andrew F
Benton, Joe
Berry, Roger
Betts, Clive
Blair, Rt Hon Tony
Blunkett, David
Boateng, Paul
Bradley, Keith
Bray, Dr Jeremy
Brown, Gordon *(Dunfermline E)*
Brown, N *(N'c'tle upon Tyne E)*
Bruce, Malcolm *(Gordon)*
Burden, Richard
Byers, Stephen
Cabom, Richard
Callaghan, Jim
Campbell, Mrs Anne *(C'bridge)*
Campbell, Menzies *(Fife NE)*
Campbell, Ronnie *(Blyth V)*
Campbell-Savours, D N
Canavan, Dennis
Cann, Jamie
Chisholm, Malcolm
Church, Judith
Clapham, Michael
Clark, Dr David *(South Shields)*
Clarke, Eric *(Midlothian)*
Clarke, Tom *(Monklands W)*
Clelland, David
Clwyd, Mrs Ann
Coffey, Ann
Connarty, Michael
Cook, Frank *(Stockton N)*
Cook, Robin *(Livingston)*
Corbett, Robin
Corbyn, Jeremy
Corston, Jean
Cousins, Jim
Cox, Tom
Cummings, John
Cunliffe, Lawrence
Cunningham, Jim *(Covy SE)*
Cunningham, Rt Hon Dr John
Dafis, Cynog
Dalyell, Tam
Darling, Alistair
Davidson, Ian
Davies, Bryan *(Oldham C'tral)*
Davies, Rt Hon Denzil *(Llanelli)*
Davies, Ron *(Caerphilly)*
Davis, Terry *(B'ham, H'dge H'l)*
Denham, John
Dewar, Donald
Dixon, Don
Dobson, Frank
Dowd, Jim
Dunwoody, Mrs Gwyneth
Eagle, Ms Angela
Eastham, Ken
Etherington, Bill
Fatchett, Derek
Faulds, Andrew
Field, Frank *(Birkenhead)*
Flynn, Paul
Foster, Rt Hon Derek
Foster, Don *(Bath)*
Foulkes, George
Fraser, John
Fyfe, Maria
Galbraith, Sam
Gapes, Mike
Garrett, John
George, Bruce
Gerrard, Neil
Gilbert, Rt Hon Dr John
Godman, Dr Norman A
Godsiff, Roger
Golding, Mrs Llin
Graham, Thomas
Griffiths, Nigel *(Edinburgh S)*
Griffiths, Win *(Bridgend)*
Grocott, Bruce
Gunnell, John
Hain, Peter
Hall, Mike
Hanson, David
Hardy, Peter
Harman, Ms Harriet
Harvey, Nick
Hattersley, Rt Hon Roy
Henderson, Doug
Hill, Keith *(Streatham)*
Hinchliffe, David
Hodge, Margaret
Hoey, Kate
Hogg, Norman *(Cumbernauld)*
Hood, Jimmy
Hoon, Geoffrey
Howarth, Alan *(Strat'rd-on-A)*
Howarth, George *(Knowsley North)*
Howells, Dr. Kim *(Pontypridd)*
Hoyle, Doug
Hughes, Kevin *(Doncaster N)*
Hughes, Robert *(Aberdeen N)*
Hughes, Roy *(Newport E)*
Hughes, Simon *(Southwark)*
Hutton, John
Illsley, Eric
Ingram, Adam
Jackson, Glenda *(H'stead)*
Jackson, Helen *(Shef'ld, H)*
Jamieson, David
Janner, Greville
Jones, Barry *(Alyn and D'side)*
Jones, Ieuan Wyn *(Ynys Môn)*
Jones, Jon Owen *(Cardiff C)*
Jones, Lynne *(B'ham S O)*
Jones, Martyn *(Clwyd, SW)*
Jones, Nigel *(Cheltenham)*
Jowell, Tessa
Kennedy, Charles *(Ross,C&S)*
Kennedy, Jane *(L'pool Br'dg'n)*
Khabra, Piara S
Kilfoyle, Peter
Kirkwood, Archy
Lestor, Joan *(Eccles)*
Lewis, Terry
Litherland, Robert
Livingstone, Ken
Lloyd, Tony *(Stretford)*
Loyden, Eddie
Lynne, Ms Liz
McAllion, John
McCartney, Ian
Macdonald, Calum
McKelvey, William
Macklnlay, Andrew
McLeish, Henry
Maclennan, Robert
McMaster, Gordon
McNamara, Kevin
MacShane, Denis
McWilliam, John
Madden, Max
Mahon, Alice
Mandelson, Peter
Marek, Dr John
Marshall, David *(Shettleston)*
Martin, Michael J *(Springburn)*
Martlew, Eric

Maxton, John
Meacher, Michael
Michael, Alun
Michie, Bill *(Sheffield Heeley)*
Michie, Mrs Ray *(Argyll & Bute)*
Milburn, Alan
Miller, Andrew
Molyneaux, Rt Hon James
Moonie, Dr Lewis
Morgan, Rhodri
Morley, Elliot
Morris, Rt Hon Alfred *(Wy'nshawe)*
Morris, Estelle *(B'ham Yardley)*
Morris, Rt Hon John *(Aberavon)*
Mowlam, Marjorie
Mudie, George
Mullin, Chris
Murphy, Paul
O'Brien, Mike *(N W'kshire)*
O'Brien, William *(Normanton)*
O'Hara, Edward
Oiner, Bill
O'Neill, Martin
Orme, Rt Hon Stanley
Parry, Robert
Pearson, Ian
Pendry, Tom
Pickthall, Colin
Pike, Peter L
Pope, Greg
Powell, Ray *(Ogmore)*
Prentice, Gordon *(Pendle)*
Prescott, Rt Hon John
Primarolo, Dawn
Purchase, Ken
Quin, Ms Joyce
Radice, Giles
Randall, Stuart
Raynsford, Nick
Robertson, George *(Hamilton)*
Robinson, Geoffrey *(Co'try NW)*
Roche, Mrs Barbara
Rogers, Allan
Rooker, Jeff
Rooney, Terry
Ross, Ernie *(Dundee W)*
Rowlands, Ted
Ruddock, Joan
Salmond, Alex
Sedgemore, Brian
Sheerman, Barry
Sheldon, Rt Hon Robert
Shore, Rt Hon Peter
Short, Clare
Simpson, Alan
Skinner, Dennis
Smith, Andrew *(Oxford E)*
Smith, Chris *(Isl'ton S & F'sbury)*
Smith, Llew *(Blaenau Gwent)*
Snape, Peter
Spearing, Nigel
Spellar, John
Squire, Rachel *(Dunfermline W)*
Steel, Rt Hon Sir David
Steinberg, Gerry
Stevenson, George
Stott, Roger
Strang, Dr. Gavin
Straw, Jack
Sutcliffe, Gerry
Taylor, Mrs Ann *(Dewsbury)*
Taylor, Matthew *(Truro)*
Thompson, Jack *(Wansbeck)*
Timms, Stephen
Tipping, Paddy
Touhig, Don
Trimble, David
Turner, Dennis
Vaz, Keith
Walker, Rt Hon Sir Harold
Walley, Joan
Wardell, Gareth *(Gower)*
Wareing, Robert N
Watson, Mike
Welsh, Andrew
Wicks, Malcolm
Williams, Rt Hon Alan *(Sw'n W)*
Williams, Alan W *(Carmarthen)*
Wilson, Brian
Winnick, David
Wise, Audrey
Worthington, Tony
Wray, Jimmy
Wright, Dr Tony
Young, David *(Bolton SE)*

Tellers for the Ayes:
Mr. John Evans and
Mr. Joseph Ashton.

NOES

Ainsworth, Peter *(East Surrey)*
Alexander, Richard
Alison, Rt Hon Michael *(Selby)*
Allason, Rupert *(Torbay)*
Amess, David
Ancram, Michael
Arbuthnot, James
Arnold, Jacques *(Gravesham)*
Arnold, Sir Thomas *(Hazel Grv)*
Ashby, David
Atkins, Rt Hon Robert
Atkinson, David *(Bour'mouth E)*
Atkinson, Peter *(Hexham)*
Baker, Rt Hon Kenneth *(Mole V)*
Baker, Nicholas *(North Dorset)*
Baldry, Tony
Banks, Matthew *(Southport)*
Banks, Robert *(Harrogate)*
Bates, Michael
Batiste, Spencer
Bellingham, Henry
Bendall, Vivian
Beresford, Sir Paul
Biffen, Rt Hon John
Bonsor, Sir Nicholas
Booth, Hartley
Boswell, Tim
Bottomley, Peter *(Eltham)*
Bottomley, Rt Hon Virginia
Bowden, Sir Andrew
Bowis, John
Boyson, Rt Hon Sir Rhodes
Brandreth, Gyles
Brazier, Julian
Bright, Sir Graham
Brooke, Rt Hon Peter
Brown, M *(Brigg & Cl'thorpes)*
Browning, Mrs Angela
Bruce, Ian *(Dorset)*
Budgen, Nicholas
Burt, Alistair
Butler, Peter
Butterfill, John
Carlisle, John *(Luton North)*
Carlisle, Sir Kenneth *(Lincoln)*
Carrington, Matthew
Carttiss, Michael
Cash, William
Channon, Rt Hon Paul
Chapman, Sir Sydney
Churchill, Mr
Clappison, James
Clarke, Rt Hon Kenneth *(Ru'cliff)*
Coe, Sebastian
Colvin, Michael
Congdon, David
Conway, Derek
Coombs, Anthony *(Wyre For'st)*
Coombs, Simon *(Swindon)*
Cope, Rt Hon Sir John
Cormack, Sir Patrick
Cran, James
Curry, David *(Skipton & Ripon)*
Davies, Quentin *(Stamford)*
Davis, David *(Boothferry)*
Deva, Nirj Joseph
Devlin, Tim
Dicks, Terry
Dorrell, Rt Hon Stephen
Douglas-Hamilton, Lord James
Dover, Den
Duncan, Alan
Duncan-Smith, Iain
Dunn, Bob
Durant, Sir Anthony
Dykes, Hugh
Eggar, Rt Hon Tim
Elletson, Harold
Emery, Rt Hon Sir Peter
Evans, David *(Welwyn Hatfield)*
Evans, Jonathan *(Brecon)*
Evans, Roger *(Monmouth)*
Faber, David
Fabricant, Michael
Fenner, Dame Peggy
Fishburn, Dudley
Forman, Nigel
Forsyth, Rt Hon Michael *(Stirling)*
Forth, Eric
Fox, Sir Marcus *(Shipley)*
Freeman, Rt Hon Roger
French, Douglas
Fry, Sir Peter
Gale, Roger
Gardiner, Sir George
Garel-Jones, Rt Hon Tristan
Garnier, Edward
Gillan, Cheryl
Goodlad, Rt Hon Alastair
Goodson-Wickes, Dr Charles
Gorst, Sir John
Grant, Sir A *(SW Cambs)*
Greenway, Harry *(Ealing N)*
Greenway, John *(Ryedale)*
Grylls, Sir Michael
Gummer, Rt Hon John Selwyn
Hague, Rt Hon William
Hamilton, Rt Hon Sir Archibald
Hamilton, Neil *(Tatton)*
Hanley, Rt Hon Jeremy
Hannam, Sir John
Hargreaves, Andrew
Harris, David
Haselhurst, Sir Alan
Hawkins, Nick
Hawksley, Warren
Hayes, Jerry
Heald, Oliver
Heath, Rt Hon Sir Edward
Heathcoat-Amory, David
Hendry, Charles
Heseltine, Rt Hon Michael
Hicks, Robert
Higgins, Rt Hon Sir Terence
Hogg, Rt Hon Douglas *(G'tham)*
Horam, John
Howard, Rt Hon Michael
Howell, Rt Hon David *(G'dford)*
Hughes, Robert G *(Harrow W)*
Hunt, Rt Hon David *(Wirral W)*
Hunt, Sir John *(Ravensbourne)*
Hunter, Andrew
Hurd, Rt Hon Douglas
Jack, Michael
Jenkin, Bernard
Jessel, Toby
Johnson Smith, Sir Geoffrey
Jones, Gwilym *(Cardiff N)*
Jones, Robert B *(W Hertfdshr)*
Jopling, Rt Hon Michael
Key, Robert
King, Rt Hon Tom
Kirkhope, Timothy
Knapman, Roger
Knight, Mrs Angela *(Erewash)*
Knight, Greg *(Derby N)*
Knight, Dame Jill *(Bir'm E'st'n)*
Knox, Sir David
Kynoch, George *(Kincardine)*
Lait, Mrs Jacqui
Lamont, Rt Hon Norman
Lang, Rt Hon Ian
Lawrence, Sir Ivan
Leigh, Edward
Lennox-Boyd, Sir Mark
Lidington, David
Lightbown, David
Lilley, Rt Hon Peter
Lloyd, Rt Hon Sir Peter *(Fareham)*
Lord, Michael
Luff, Peter
Lyell, Rt Hon Sir Nicholas
MacGregor, Rt Hon John
MacKay, Andrew
Maclean, Rt Hon David
McLoughlin, Patrick
McNair-Wilson, Sir Patrick
Madel, Sir David
Maitland, Lady Olga
Major, Rt Hon John
Malone, Gerald
Mans, Keith
Marland, Paul
Marlow, Tony
Marshall, Sir Michael *(Arundel)*
Mates, Michael
Mawhinney, Rt Hon Dr Brian
Mayhew, Rt Hon Sir Patrick
Mellor, Rt Hon David
Merchant, Piers
Mills, Iain
Mitchell, Andrew *(Gedling)*
Mitchell, Sir David *(NW Hants)*
Moate, Sir Roger
Monro, Sir Hector
Montgomery, Sir Fergus
Moss, Malcolm
Needham, Rt Hon Richard
Nelson, Anthony
Neubert, Sir Michael
Newton, Rt Hon Tony
Nicholls, Patrick
Nicholson, David *(Taunton)*
Nicholson, Emma *(Devon West)*
Norris, Steve
Onslow, Rt Hon Sir Cranley
Oppenheim, Phillip
Ottaway, Richard
Page, Richard
Paice, James

Patnick, Sir Irvine
Patten, Rt Hon John
Pattie, Rt Hon Sir Geoffrey
Peacock, Mrs Elizabeth
Pickles, Eric
Porter, Barry *(Wirral S)*
Portillo, Rt Hon Michael
Powell, William *(Corby)*
Rathbone, Tim
Redwood, Rt Hon John
Renton, Rt Hon Tim
Richards, Rod
Riddick, Graham
Robathan, Andrew
Roberts, Rt Hon Sir Wyn
Robertson, Raymond *(Ab'd'n S)*
Robinson, Mark *(Somerton)*
Roe, Mrs Marion *(Broxbourne)*
Rumbold, Rt Hon Dame Angela
Sackville, Tom
Sainsbury, Rt Hon Sir Timothy
Shaw, David *(Dover)*
Shaw, Sir Giles *(Pudsey)*
Shephard, Rt Hon Gillian
Shepherd, Colin *(Hereford)*
Shersby, Sir Michael
Sims, Roger
Smith, Sir Dudley *(Warwick)*
Smith, Tim *(Beaconsfield)*
Soames, Nicholas
Speed, Sir Keith
Spencer, Sir Derek
Spicer, Sir James *(W Dorset)*
Spicer, Michael *(S Worcs)*
Spink, Dr Robert
Spring, Richard
Sproat, Iain
Squire, Robin *(Hornchurch)*
Stanley, Rt Hon Sir John
Steen, Anthony
Stephen, Michael
Stern, Michael
Streeter, Gary
Sumberg, David
Sweeney, Walter
Tapsell, Sir Peter
Taylor, Ian *(Esher)*
Taylor, John M *(Solihull)*
Temple-Morris, Peter
Thomason, Roy
Thompson, Sir Donald *(C'er V)*
Thompson, Patrick *(Norwich N)*
Thornton, Sir Malcolm
Thurnham, Peter
Townend, John *(Bridlington)*
Townsend, Cyril D *(Bexl'yh'th)*
Tracey, Richard
Tredinnick, David
Trend, Michael
Vaughan, Sir Gerard
Viggers, Peter
Waldegrave, Rt Hon William
Walden, George
Waller, Gary
Ward, John
Wardle, Charles *(Bexhill)*
Waterson, Nigel
Watts, John
Wells, Bowen
Wheeler, Rt Hon Sir John
Whitney, Ray
Whittingdale, John
Widdecombe, Ann
Wiggin, Sir Jerry
Wilkinson, John
Willetts, David
Wilshire, David
Winterton, Mrs Ann *(Congleton)*
Winterton, Nicholas *(Macc'fld)*
Wolfson, Mark
Wood, Timothy
Yeo, Tim
Young, Rt Hon Sir George

Tellers for the Noes:
Mr. Simon Burns and
Dr. Liam Fox.

Question accordingly negatived.

Amendment proposed: (c), in line 3, leave out from second 'and' to end and add

'with effect from the beginning of the next Session, no Member shall enter into any agreement in connection with his role as a Parliamentarian to undertake services for or on behalf of organisations which provide paid parliamentary services to multiple clients, or maintain any direct or active connection with firms, or parts of larger firms, which provide such parliamentary services; and that any Member who has such an existing agreement shall divest himself of it by no later than the end of this Parliament.'.—[*Mrs. Ann Taylor.*]

Question put, That the amendment be made:—

The House divided: Ayes 240, Noes 280.

Division No. 214] **[7.50 pm**

AYES

Adams, Mrs Irene
Ainger, Nick
Ainsworth, Robert *(Cov'try NE)*
Allen, Graham
Anderson, Donald *(Swansea E)*
Anderson, Ms Janet *(Ros'dale)*
Armstrong, Hilary
Ashton, Joe
Austin-Walker, John
Banks, Tony *(Newham NW)*
Barnes, Harry
Barron, Kevin
Battle, John
Bayley, Hugh
Beckett, Rt Hon Margaret
Benn, Rt Hon Tony
Bennett, Andrew F
Benton, Joe
Berry, Roger
Betts, Clive
Blair, Rt Hon Tony
Blunkett, David
Boateng, Paul
Bradley, Keith
Bray, Dr Jeremy
Brown, Gordon *(Dunfermline E)*
Brown, N *(N'c'tle upon Tyne E)*
Burden, Richard
Byers, Stephen
Cabom, Richard
Callaghan, Jim
Campbell, Mrs Anne *(C'bridge)*
Campbell, Ronnie *(Blyth V)*
Campbell-Savours, D N
Canavan, Dennis
Cann, Jamie
Chisholm, Malcolm
Church, Judith
Clapham, Michael
Clark, Dr David *(South Shields)*
Clarke, Eric *(Midlothian)*
Clarke, Tom *(Monklands W)*
Clelland, David
Clwyd, Mrs Ann
Coffey, Ann
Connarty, Michael
Cook, Frank *(Stockton N)*
Corbett, Robin
Corbyn, Jeremy
Corston, Jean
Cousins, Jim
Cox, Tom
Cummings, John
Cunliffe, Lawrence
Cunningham, Jim *(Covy SE)*
Cunningham, Rt Hon Dr John
Dafis, Cynog
Dalyell, Tam
Darling, Alistair
Davidson, Ian
Davies, Bryan *(Oldham C'tral)*
Davies, Rt Hon Denzil *(Llanelli)*
Davies, Ron *(Caerphilly)*
Davis, Terry *(B'ham, H'dge Hl)*
Denham, John
Dewar, Donald
Dixon, Don
Dobson, Frank
Dowd, Jim
Dunwoody, Mrs Gwyneth
Eastham, Ken
Etherington, Bill
Fatchett, Derek
Faulds, Andrew
Field, Frank *(Birkenhead)*
Flynn, Paul
Foster, Rt Hon Derek
Fraser, John
Fyfe, Maria
Galbraith, Sam
Gapes, Mike
Garrett, John
George, Bruce
Gerrard, Neil
Gilbert, Rt Hon Dr John
Godman, Dr Norman A
Godsiff, Roger
Golding, Mrs Llin
Graham, Thomas
Griffiths, Nigel *(Edinburgh S)*
Griffiths, Win *(Bridgend)*
Grocott, Bruce
Gunnell, John
Hain, Peter
Hall, Mike
Hanson, David
Hardy, Peter
Harman, Ms Harriet
Hattersley, Rt Hon Roy
Henderson, Doug
Hill, Keith *(Streatham)*
Hinchliffe, David
Hodge, Margaret
Hoey, Kate
Hogg, Norman *(Cumbernauld)*
Hood, Jimmy
Hoon, Geoffrey
Howarth, George *(Knowsley North)*
Howells, Dr. Kim *(Pontypridd)*
Hoyle, Doug
Hughes, Kevin *(Doncaster N)*
Hughes, Robert *(Aberdeen N)*
Hughes, Roy *(Newport E)*
Hutton, John
Illsley, Eric
Ingram, Adam
Jackson, Glenda *(H'stead)*
Jackson, Helen *(Shef'ld, H)*
Jamieson, David
Janner, Greville
Jones, Barry *(Alyn and D'side)*
Jones, Ieuan Wyn *(Ynys Môn)*
Jones, Jon Owen *(Cardiff C)*
Jones, Lynne *(B'ham S O)*
Jones, Martyn *(Clwyd, SW)*
Jowell, Tessa
Kennedy, Jane *(L'pool Br'dg'n)*
Khabra, Piara S
Kilfoyle, Peter
Lestor, Joan *(Eccles)*
Lewis, Terry
Litherland, Robert
Livingstone, Ken
Lloyd, Tony *(Stretford)*
Loyden, Eddie
McAllion, John
McCartney, Ian
Macdonald, Calum
McKelvey, William
Mackinlay, Andrew
McLeish, Henry
McMaster, Gordon
McNamara, Kevin
MacShane, Denis
McWilliam, John
Madden, Max
Mahon, Alice
Mandelson, Peter
Marek, Dr John
Martin, Michael J *(Springburn)*
Martlew, Eric
Meacher, Michael
Michael, Alun
Michie, Bill *(Sheffield Heeley)*
Milburn, Alan
Miller, Andrew
Molyneaux, Rt Hon James
Moonie, Dr Lewis
Morgan, Rhodri
Morley, Elliot
Morris, Rt Hon Alfred *(Wy'nshawe)*
Morris, Estelle *(B'ham Yardley)*
Morris, Rt Hon John *(Aberavon)*
Mowlam, Marjorie
Mudie, George
Mullin, Chris
Murphy, Paul
O'Brien, Mike *(N W'kshire)*
O'Brien, William *(Normanton)*
O'Hara, Edward
Oliner, Bill
O'Neill, Martin
Orme, Rt Hon Stanley
Parry, Robert

Pearson, Ian
Pendry, Tom
Pickthall, Colin
Pike, Peter L
Pope, Greg
Powell, Ray *(Ogmore)*
Prentice, Gordon *(Pendle)*
Prescott, Rt Hon John
Primarolo, Dawn
Purchase, Ken
Quin, Ms Joyce
Radice, Giles
Randall, Stuart
Raynsford, Nick
Robertson, George *(Hamilton)*
Robinson, Geoffrey *(Co'try NW)*
Roche, Mrs Barbara
Rogers, Allan
Rooker, Jeff
Ross, Ernie *(Dundee W)*
Rowlands, Ted
Ruddock, Joan
Salmond, Alex
Sedgemore, Brian
Sheerman, Barry
Sheldon, Rt Hon Robert
Short, Clare
Simpson, Alan
Skinner, Dennis
Smith, Andrew *(Oxford E)*
Smith, Chris *(Is'ton S & F'sbury)*
Smith, Llew *(Blaenau Gwent)*
Snape, Peter
Spearing, Nigel
Spellar, John
Squire, Rachel *(Dunfermline W)*
Steinberg, Gerry
Stevenson, George
Stott, Roger
Strang, Dr. Gavin
Straw, Jack
Sutcliffe, Gerry
Taylor, Mrs Ann *(Dewsbury)*
Thompson, Jack *(Wansbeck)*
Timms, Stephen
Tipping, Paddy
Touhig, Don
Trimble, David
Turner, Dennis
Vaz, Keith
Walker, Rt Hon Sir Harold
Walley, Joan
Wardell, Gareth *(Gower)*
Wareing, Robert N
Watson, Mike
Welsh, Andrew
Wicks, Malcolm
Williams, Rt Hon Alan *(Sw'n W)*
Williams, Alan W *(Carmarthen)*
Wilson, Brian
Winnick, David
Wise, Audrey
Worthington, Tony
Wray, Jimmy
Wright, Dr Tony
Young, David *(Bolton SE)*

Tellers for the Ayes:
Mr. John Evans and
Ms Angela Eagle.

NOES

Ainsworth, Peter *(East Surrey)*
Alexander, Richard
Alison, Rt Hon Michael *(Selby)*
Allason, Rupert *(Torbay)*
Amess, David
Ancram, Michael
Arbuthnot, James
Arnold, Jacques *(Gravesham)*
Arnold, Sir Thomas *(Hazel Grv)*
Ashby, David
Atkins, Rt Hon Robert
Atkinson, David *(Bour'mouth E)*
Atkinson, Peter *(Hexham)*
Baker, Rt Hon Kenneth *(Mole V)*
Baker, Nicholas *(North Dorset)*
Baldry, Tony
Banks, Matthew *(Southport)*
Banks, Robert *(Harrogate)*
Bates, Michael
Batiste, Spencer
Bellingham, Henry
Bendall, Vivian
Beresford, Sir Paul
Biffen, Rt Hon John
Bonsor, Sir Nicholas
Booth, Hartley
Boswell, Tim
Bottomley, Peter *(Eltham)*
Bottomley, Rt Hon Virginia
Bowden, Sir Andrew
Bowis, John
Boyson, Rt Hon Sir Rhodes
Brandreth, Gyles
Brazier, Julian
Bright, Sir Graham
Brooke, Rt Hon Peter
Browning, Mrs Angela
Bruce, Ian *(Dorset)*
Budgen, Nicholas
Burt, Alistair
Butler, Peter
Butterfill, John
Carlisle, John *(Luton North)*
Carlisle, Sir Kenneth *(Lincoln)*
Carrington, Matthew
Carttiss, Michael
Cash, William
Channon, Rt Hon Paul
Chapman, Sydney
Churchill, Mr
Clappison, James
Clarke, Rt Hon Kenneth *(Ru'cliff)*
Clifton-Brown, Geoffrey
Coe, Sebastian
Colvin, Michael
Congdon, David
Conway, Derek
Coombs, Anthony *(Wyre For'st)*
Coombs, Simon *(Swindon)*
Cope, Rt Hon Sir John
Cormack, Sir Patrick
Cran, James
Curry, David *(Skipton & Ripon)*
Davies, Quentin *(Stamford)*
Davis, David *(Boothferry)*
Deva, Nirj Joseph
Devlin, Tim
Dicks, Terry
Dorrell, Rt Hon Stephen
Douglas-Hamilton, Lord James
Dover, Den
Duncan, Alan
Duncan-Smith, Iain
Dunn, Bob
Durant, Sir Anthony
Dykes, Hugh
Eggar, Rt Hon Tim
Elletson, Harold
Emery, Rt Hon Sir Peter
Evans, David *(Welwyn Hatfield)*
Evans, Jonathan *(Brecon)*
Evans, Roger *(Monmouth)*
Faber, David
Fabricant, Michael
Fenner, Dame Peggy
Fishburn, Dudley
Forman, Nigel
Forsyth, Rt Hon Michael *(Stirling)*
Forth, Eric
Fox, Dr Liam *(Woodspring)*
Fox, Sir Marcus *(Shipley)*
Freeman, Rt Hon Roger
French, Douglas
Fry, Sir Peter
Gale, Roger
Gardiner, Sir George
Garel-Jones, Rt Hon Tristan
Garnier, Edward
Gillan, Cheryl
Goodlad, Rt Hon Alastair
Goodson-Wickes, Dr Charles
Gorst, Sir John
Grant, Sir A *(SW Cambs)*
Greenway, Harry *(Ealing N)*
Greenway, John *(Ryedale)*
Grylls, Sir Michael
Gummer, Rt Hon John Selwyn
Hague, William
Hamilton, Rt Hon Sir Archibald
Hamilton, Neil *(Tatton)*
Hanley, Rt Hon Jeremy
Hannam, Sir John
Hargreaves, Andrew
Harris, David
Haselhurst, Sir Alan
Hawkins, Nick
Hawksley, Warren
Hayes, Jerry
Heald, Oliver
Heath, Rt Hon Sir Edward
Heathcoat-Amory, David
Hendry, Charles
Heseltine, Rt Hon Michael
Hicks, Robert
Higgins, Rt Hon Sir Terence
Hogg, Rt Hon Douglas *(G'tham)*
Horam, John
Howard, Rt Hon Michael
Howell, Rt Hon David *(G'dford)*
Hughes, Robert G *(Harrow W)*
Hunt, Rt Hon David *(Wirral W)*
Hunt, Sir John *(Ravensbourne)*
Hunter, Andrew
Hurd, Rt Hon Douglas
Jack, Michael
Jenkin, Bernard
Jessel, Toby
Johnson Smith, Sir Geoffrey
Jones, Gwilym *(Cardiff N)*
Jones, Robert B *(W Hertfdshr)*
Jopling, Rt Hon Michael
Key, Robert
King, Rt Hon Tom
Kirkhope, Timothy
Knapman, Roger
Knight, Mrs Angela *(Erewash)*
Knight, Greg *(Derby N)*
Knight, Dame Jill *(Bir'm E'st'n)*
Knox, Sir David
Kynoch, George *(Kincardine)*
Lait, Mrs Jacqui
Lamont, Rt Hon Norman
Lang, Rt Hon Ian
Lawrence, Sir Ivan
Leigh, Edward
Lennox-Boyd, Sir Mark
Lidington, David
Lightbown, David
Lilley, Rt Hon Peter
Lloyd, Rt Hon Sir Peter *(Fareham)*
Lord, Michael
Luff, Peter
Lyell, Rt Hon Sir Nicholas
MacGregor, Rt Hon John
MacKay, Andrew
Maclean, Rt Hon David
McLoughlin, Patrick
McNair-Wilson, Sir Patrick
Madel, Sir David
Maitland, Lady Olga
Major, Rt Hon John
Malone, Gerald
Mans, Keith
Marland, Paul
Marlow, Tony
Marshall, Sir Michael *(Arundel)*
Mates, Michael
Mawhinney, Rt Hon Dr Brian
Mayhew, Rt Hon Sir Patrick
Mellor, Rt Hon David
Merchant, Piers
Mills, Iain
Mitchell, Andrew *(Gedling)*
Mitchell, Sir David *(NW Hants)*
Moate, Sir Roger
Monro, Sir Hector
Montgomery, Sir Fergus
Moss, Malcolm
Needham, Rt Hon Richard
Nelson, Anthony
Neubert, Sir Michael
Newton, Rt Hon Tony
Nicholls, Patrick
Nicholson, Emma *(Devon West)*
Norris, Steve
Onslow, Rt Hon Sir Cranley
Oppenheim, Phillip
Ottaway, Richard
Page, Richard
Paice, James
Patnick, Sir Irvine
Patten, Rt Hon John
Pattie, Rt Hon Sir Geoffrey
Peacock, Mrs Elizabeth
Pickles, Eric
Porter, Barry *(Wirral S)*
Portillo, Rt Hon Michael
Powell, William *(Corby)*
Rathbone, Tim
Redwood, Rt Hon John
Renton, Rt Hon Tim
Richards, Rod
Riddick, Graham
Robathan, Andrew
Roberts, Rt Hon Sir Wyn
Robertson, Raymond *(Ab'd'n S)*
Robinson, Mark *(Somerton)*
Roe, Mrs Marion *(Broxbourne)*
Rumbold, Rt Hon Dame Angela
Sackville, Tom
Sainsbury, Rt Hon Sir Timothy
Shaw, David *(Dover)*
Shaw, Sir Giles *(Pudsey)*
Shephard, Rt Hon Gillian
Shepherd, Colin *(Hereford)*
Shersby, Sir Michael
Sims, Roger
Smith, Sir Dudley *(Warwick)*
Smith, Tim *(Beaconsfield)*
Soames, Nicholas

Speed, Sir Keith
Spencer, Sir Derek
Spicer, Sir James *(W Dorset)*
Spicer, Michael *(S Worcs)*
Spink, Dr Robert
Spring, Richard
Sproat, Iain
Squire, Robin *(Hornchurch)*
Stanley, Rt Hon Sir John
Steen, Anthony
Stephen, Michael
Stern, Michael
Streeter, Gary
Sumberg, David
Sweeney, Walter
Tapsell, Sir Peter
Taylor, Ian *(Esher)*
Taylor, John M *(Solihull)*
Temple-Morris, Peter
Thomason, Roy
Thompson, Sir Donald *(Ć'er V)*
Thompson, Patrick *(Norwich N)*
Thornton, Sir Malcolm
Thurnham, Peter
Townend, John *(Bridlington)*
Tracey, Richard
Tredinnick, David
Trend, Michael
Vaughan, Sir Gerard
Viggers, Peter
Waldegrave, Rt Hon William
Walden, George
Ward, John
Wardle, Charles *(Bexhill)*
Waterson, Nigel
Watts, John
Wells, Bowen
Wheeler, Rt Hon Sir John
Whitney, Ray
Whittingdale, John
Widdecombe, Ann
Wiggin, Sir Jerry
Wilkinson, John
Willetts, David
Wilshire, David
Winterton, Mrs Ann *(Congleton)*
Winterton, Nicholas *(Macc'fld)*
Wolfson, Mark
Yeo, Tim
Young, Rt Hon Sir George

Tellers for the Noes:
Mr. Simon Burns and
Mr. Timothy Wood.

Question accordingly negatived.

Main Question put and agreed to.

Resolved,

That this House endorses the need for an examination of the recommendations of the Nolan Committee relating to consultancies (including multi-client consultancies) and disclosures in the Register of Members' Interests; and instructs the Select Committee on Standards in Public Life to conduct such an examination and to seek to bring forward proposals on these matters by the end of the current Session.

STANDARDS IN PUBLIC LIFE (GENERAL RECOMMENDATIONS)

Resolved,

That this House agrees with the recommendations contained in the First Report from the Select Committee on Standards in Public Life (House of Commons Paper No. 637) relating to—

(1) the principal duties of the Parliamentary Commissioner for Standards (paragraph 14);

(2) the method of removal from office of the Commissioner (paragraph 23);

(3) the preparation of amendments to Standing Orders relating to a Select Committee on Standards and Privileges (paragraph 40);

(4) the preparation of a draft Code of Conduct (paragraph 47);

(5) the preparation of guidance on registration and declaration of interests (paragraph 50);

(6) a review of the law relating to bribery of Members (paragraph 52); and

(7) updating, and improving the availability of, the Register of Members' Interests (paragraph 66).—*[Mr. Newton.]*

Orders of the Day

Children (Scotland) Bill

Lords amendments considered.

Lords amendments Nos. 1 to 336 agreed [some with Special Entry].

Bosnia

Motion made, and Question proposed, That this House do now adjourn.—*[Mr. Conway.]*

Mr. Deputy Speaker (Mr. Michael Morris): Before I call the Foreign Secretary, I must remind the House that Back-Bench speeches are restricted to 10 minutes.

8.3 pm

The Secretary of State for Defence (Mr. Michael Portillo): The House will be familiar with the many tragic events that have led to the present crisis in the former Yugoslavia. Thousands of lives have been lost and countless families have been displaced. Night after night, we have witnessed harrowing scenes on our television sets. We are witnessing a bloody war, in part a civil war and in part a war of aggression. It is a characteristic of civil wars that civilised behaviour rapidly gives way to the basest of acts.

Like all civil wars, this one is extremely complex. It is not, simply, three distinct groups fighting it out. In some areas, Bosnian Croats and Bosnian Muslims are together opposed to Bosnian Serbs. In other areas, Bosnian Muslims have been fighting Bosnian Croats. In yet others, Bosnian Serbs have assisted Bosnian Muslims. In one way or another, all the parties have degraded themselves, and they have degraded humanity with the ferocity of their actions. No faction is blameless, but in the enclaves, the Serbs have behaved with a savagery that has appalled the world.

In the former Yugoslavia, we have seen European man at his absolute worst. All sides have been guilty of slaughter, rape and other atrocities. I said "European man", because this civil war is happening in Europe, and that is a fact that we cannot ignore. I wish to make it clear to the House that the Government believe that what happens in Europe touches on this country's vital national interests.

Ms Clare Short (Birmingham, Ladywood): The right hon. Gentleman said that it is partly a war of aggression and partly a civil war. He then went on to talk as though all the parties are equally guilty. Surely that is profoundly wrong. The Serbs are the aggressors, and they have been responsible for ethnic cleansing, the mass use of rape and torture and so on. To talk as though there were two equal sides is to distort the analysis from the very beginning of the debate.

Mr. Portillo: I do not think that the hon. Lady does justice to what I said. I said that there have been atrocities on every side, and also drew attention to the particular savagery of the Serbs which we have witnessed in the enclaves. The record will bear out that that is the way I expressed myself.

Into all this chaos, the United Nations is trying to bring succour, relief and sanity. What the United Nations cannot do is end this war by military means. In practice, it can be ended only by a political solution.

The United Nations and the European Union have toiled to achieve peace through diplomacy. A history of broken promises and broken ceasefires now lies behind us, but those efforts must continue. We firmly support the efforts of Carl Bildt, the European Union's negotiator, to negotiate a recognition of Bosnia by Serbia and

Montenegro, and to reopen a dialogue on the contact group plan, which we urge all parties to accept as the starting point for negotiations.

The international community deployed forces to the former Yugoslavia for the best of all possible reasons. The world could not stand aside from the slaughter. Countries from around the globe have sent troops. Britain felt the call of duty particularly strongly. We are Europeans. We are members of the Security Council of the United Nations. We understand our obligation to defend our humanitarian values, and we are privileged to have superb armed forces.

There has been from the start a serious risk that this conflict could degenerate into a regional war, setting light to the Balkans and bringing into play highly dangerous international forces. The west has a vital interest in containing the conflict.

Mr. John Townend (Bridlington): When I was studying history, it was always a maxim of British foreign policy that one did not get involved on the ground in a Balkan war. May I remind my right hon. Friend that Germany is not involved with troops on the ground? It is surely not in our interests to have our troops there. Many people in this country feel that we should bring them back forthwith.

Mr. Portillo: Germany is not a member of the Security Council of the United Nations; Britain is, and Britain feels her responsibilities acutely. As I shall point out to my hon. Friend, we are not in Bosnia to fight a war; we are there to save lives. That is the essential difference that my hon. Friend will, I hope, recognise. We have always seen that the United Nations is there to be the peacekeeper. Our forces are equipped not to make war but to move among the local population bringing food and medicine and confidence and security wherever we are able to do so.

UN forces in Bosnia are not a combatant force. We obviously cannot stop all the horrors, but that does not mean that we can do nothing. Indeed, we have achieved a great deal.

Mr. Max Madden (Bradford, West): Since the United Nations, NATO and the international community have vividly demonstrated their unwillingness and inability to intervene militarily in a way which would bring this war to an end, and as the Bosnian Government naturally resist a political settlement resting on genocide and territorial gains made by external military aggression, will the Secretary of State, who does not come to this issue with any political baggage, make it clear that it is now time for the arms embargo to be lifted and the Bosnian Government to be given the means to defend their people and their territory against external Serbian aggression?

Mr. Portillo: I shall come later to the question of the arms embargo, but I must say that I do not think that the hon. Gentleman speaks realistically. To bring this war to an end militarily would require the commitment of hundreds of thousands of men, equipment and armaments, at enormous risk to those forces. I do not believe that it is possible to commit those forces to this theatre.

Even if we did, our chances of success would be remote. The hon. Gentleman must recognise that the only way that this war can end is by political settlement. But there is a two-pronged approach: a political approach to try to achieve a settlement, and military forces doing what they can to bring security as and when they can.

Mr. Quentin Davies (Stamford and Spalding) *rose—*

Mr. Ken Livingstone (Brent, East) *rose—*

Mr. Portillo: I shall give way first to my hon. Friend.

Mr. Davies: Does my right hon. Friend agree that the one thing that he cannot possibly do in this situation is respond to Bosnian Serb aggression against UN-designated safe areas with an ignominious retreat of our own forces? Does he agree that it is vital that we do nothing to undermine the credibility of NATO, the Western European Union, or, indeed, international law?

Mr. Portillo: I hope that my hon. Friend will forgive me, because I shall of course come to those important matters, but I must do so as I make progress through my speech, and I must do so in a considered way, for reasons that will become clear.

Several hon. Members *rose—*

Mr. Portillo: I want to make progress, but I said that I would give way to the hon. Member for Brent, East (Mr. Livingstone).

Mr. Livingstone: How will the Secretary of State explain to those outside this building, who see that the west mobilised hundreds of thousands of troops when its oil interests were threatened, that the Government are not prepared to take the same stand to stop the slaughter and mass rape of tens of thousands of ordinary people?

Mr. Portillo: The hon. Gentleman makes a comparison which has often been made before, but which none the less I regard as fatuous. In the case of the Gulf, we intervened because there was an aggressive nation on the loose that had attacked Kuwait and threatened the entire region. In Yugoslavia, we have positioned our troops to do what we can to bring peace and save lives, and that is a noble ambition.

Mr. Calum Macdonald (Western Isles): Will the Secretary of State give way?

Mr. Portillo: No, I am going to make some progress. I shall possibly give way later.

We have achieved a great deal, and the House should remember that.

Croatia and Serbia have not been at war since 1991. The Bosnian Federation of Croats and Muslims has brought peace to central Bosnia, which has witnessed the rebuilding of civil government and the return to normal life, where before there were scenes of slaughter. Tens of thousands of lives have been saved. In 1992, the Bosnian war claimed 130,000 lives. In 1994, that was reduced to 2,500.

Today, the UN provides support for 2.7 million people; 153,000 tonnes of aid were airlifted into Sarajevo between July 1992 and April 1995. British Royal Engineers have built 42 km of road, and they keep open nearly 1,000 km of supply routes. British troops have rebuilt kindergartens, restored essential services, and taught children how to look out for mines that, for years to come, may threaten to blow them to pieces. Fourteen British soldiers have died playing their part in this operation to save others' lives.

[Mr. Portillo]

For all our soldiers, peacekeeping brings not only danger but frustrations. We must operate with consent in a land of village apparatchiks, empire builders and local warlords. The peacekeeper must learn to negotiate without showing that frustration. But I flatly contradict those who claim that there is humiliation in what the British forces are doing. The saving of human life is noble and dignified, and I feel extraordinarily proud of the British men and women who have achieved so much.

Mr. Winston Churchill (Davyhulme): I am sure that the whole House shares the pride expressed by my right hon. Friend in the wonderful work done by British forces in Bosnia. However, given the peculiar responsibility of Her Majesty's Government, who sponsored UN resolution 836 to establish Gorazde as a safe haven, could he say whether, when that was done in the spring of 1993, it was our intention to take steps to make those safe areas safe, or was it just intended as a form of words?

Mr. Portillo: I will come to that later, but I will say to my hon. Friend—

Mr. D. N. Campbell-Savours (Workington): That is the third time he has said that.

Mr. Portillo: I am making a speech, and I have ordered my thoughts, as the hon. Gentleman should consider.

I shall come to the point that my hon. Friend raised, but I say to him now that the UN foresaw a need for 36,000 troops, and put out the request to the international community for them. In the event, 7,500 were forthcoming.

The deteriorating situation in Bosnia, especially after the taking of the hostages, showed that UN forces needed more protection. We sent artillery and armoured engineers immediately, and French forces and 24 Airmobile Brigade have followed.

I must make two points. First, there has been no change in the UN's mandate. The extra forces are not there to make war, any more than those who were there before them. Secondly, we remain bound by the need for consent for their arrival and deployments through Croatia and Bosnia-Herzegovina. They are sovereign nations, and we are peacekeepers, not invaders.

At no time has the UN authorised its troops to fight a war; nor are they equipped to do so. Indeed, the UN has been under-resourced to achieve even those objectives authorised by the Security Council in its resolutions. As I have just told my hon. Friend, 36,000 troops were envisaged for the enclaves. The Dutch, the Ukrainians and the British responded, but the UN's request resulted in just those 7,500 troops being committed. The safe areas, like so much else, have depended on consent.

Srebrenica has now fallen. Zepa is under attack. Once more, the civilised world has been appalled by the barbarism in the Balkans. Once again, the UN has responded. They have built tented accommodation and provided basic services for 6,300 people at Tuzla air base. They have also organised logistic support for supplies to arrive from Split.

Our own special interest lies with Gorazde. We have there nearly 200 men of the Royal Welch Fusiliers. An UNPROFOR convoy with supplies for our troops got into Gorazde this afternoon. Like others in these operations, our soldiers are equipped with neither tanks nor artillery nor heavy arms. They are in Gorazde to play a humanitarian role.

Mr. Tam Dalyell (Linlithgow): As a former member of a national service tank crew, may I ask whether the right hon. Gentleman does not think that it would be wise in the new circumstances to provide the Welch Fusiliers with some armoured cover, because in all that we were taught, armoured cover is essential in any dangerous situation?

Mr. Portillo: Again, the hon. Gentleman anticipates me; I am coming to that point in the immediate paragraphs that follow. *[Interruption.]* I repeat, I am coming to that point in the immediate paragraphs that follow.

Each of the options on Gorazde before the international community carries its own risks. To withdraw the troops would leave the Muslims in the enclaves at the mercy of the Bosnian Serbs, and would provoke resistance from the Muslims, who would claim a gross dereliction of duty. Reinforcing the troops poses significant practical problems. We do not have the men or the guns anywhere in former Yugoslavia to stave off a determined onslaught by many thousands of Bosnian Serbs.

The road from Sarajevo to Gorazde passes through hostile territory, and has 26 bridges and eight tunnels. It poses a hazardous route for reinforcement. To reinforce by helicopter carries possibly greater risks. The aircraft are vulnerable to attack unless air defences are destroyed by a massive pre-emptive attack, with all the risks of military escalation.

Mr. John Wilkinson (Ruislip-Northwood): Will my right hon. Friend give way?

Mr. Portillo: Not at the moment.

The United Nations could use NATO to deploy its air power to deter or repel an attack, again with the risk of escalation. The Royal Welch Fusiliers have adequate supplies of fuel, food and water, and they are in good order. In its history, the regiment has proudly stood in many a perilous situation, and has emerged with honour. The safety and dignity of those men is of paramount importance to this country. I want to make it absolutely clear to the House that anyone who harms them will be held personally responsible by the Government of the United Kingdom.

Mr. Andrew Faulds (Warley, East): Will the Secretary of State give way?

Mr. Portillo: I will not give way.

None of the options on Gorazde that I have set out is appealing, but we must choose among them. The decision must be a joint one, involving the UN troop-contributing nations, NATO and the United States.

Mr. Wilkinson: Is it not the case that the United Nations and NATO have at their command a decisive instrument, which is available and is within the theatre, yet not within the land mass of former Yugoslavia? I refer to their air power, which is off the coast and on Italian air bases. Cannot this be used if appropriate precautions are taken by the troops on the ground, both to deter future attacks on the safe havens and as a punitive reprisal to any barbaric acts of aggression by the Serbs? A civilised

community has a duty to influence events within the theatre, and not just to let things slide down a slippery slope towards humiliation and withdrawal.

Mr. Portillo: I listed the options to the House, and I included in those options the use of air power. Now I shall explain why I did not want to be drawn on these matters earlier.

I have to be responsible about what I say about these matters. There are those who would like to know which way our minds are turning and we have to be very careful about what we say about these matters. Therefore, I have set out in my speech precisely what I want to say on these options, and I am not prepared, even in response to my hon. Friend the Member for Ruislip-Northwood (Mr. Wilkinson), to be drawn any further on those options for our defence.

This Friday's conference in London has been convened by my right hon. Friend the Prime Minister to settle our common positions.

Mr. Faulds: Will the Secretary of State give way?

Mr. Portillo: I will not give way at the moment.

Mr. Faulds: Will the Secretary of State give way on Gorazde?

Mr. Portillo: I will not give way.

Mr. Faulds: This is very important.

Mr. Portillo: All right.

Mr. Faulds: I am most grateful for that reconsideration. Very courteous. The right hon. Gentleman—*[Interruption.]* If you will be quiet, you will hear what I have got to say. I do not mean you, Mr. Deputy Speaker, but the others. The right hon. Gentleman made the assertion a little earlier that the British troops in Yugoslavia had done a magnificent job. None of us disputes that. He said that there had been no humiliation of British troops. Will he maintain that, if British troops are driven out of Gorazde, the word "humiliation" will not apply to that operation?

Mr. Portillo: I have said what I am prepared to say about the military options. I have made it perfectly clear that the British Government will hold responsible any who harm our soldiers in Yugoslavia.

This Friday's conference in London has been convened by my right hon. Friend the Prime Minister so that we may settle among the nations concerned our common positions. Since last Sunday, intensive discussions have been under way to establish the military options and more broadly to concert our policy on former Yugoslavia. I must attend a further meeting this evening in connection with those options, and I very much hope that the House will forgive me if I am not here throughout the debate.

In the run-up to Friday's meetings, I can think of nothing more unhelpful than to indulge in megaphone diplomacy. I will not do so. Nothing could be more dangerous for our men in Gorazde than to rehearse the detailed merits of the military options, or to strike public postures.

Friday's meeting must chart the way ahead, but I offer these thoughts. First, the United Nations went to Bosnia and Croatia to save lives. It has done so; it is doing it still. It is becoming more difficult now, but the United Nations should stay for as long as it can do good. This operation has to be conducted with some humility. Our first concern should be with saving lives. Secondly, the real focus is on the political process. The military operation can help the political process by offering security where a ceasefire is agreed, and it can buy time for the political process. To abandon the chance to buy time is a big step.

Ms Angela Eagle (Wallasey): Will the Secretary of State give way?

Mr. Portillo: Thirdly, withdrawal will have its consequences. It may be militarily hazardous, and it is likely to lead to a more intensive and possibly wider conflagration. The humanitarian disasters that lie ahead could dwarf the horrors that we have seen to date. The war could spread wide, posing unforeseeable threats to the near east and Europe, and so to British interests.

Mr. Keith Mans (Wyre): Will my right hon. Friend give way?

Mr. Portillo: Fourthly, we have often said that, if the arms embargo on Bosnia is lifted, the United Nations must withdraw. I reiterate that today. Equally, if the United Nations is obliged for any reason to withdraw, the United Kingdom will not oppose the lifting of the embargo.

The time is now ripe for decisions, for the warring factions to contemplate the stark reality of the withdrawal of the United Nations and for the nations involved in the peacekeeping operations in former Yugoslavia to decide on what terms they are willing to stay.

8.27 pm

Mr. Robin Cook (Livingston): This is the third occasion in three months when the House has debated Bosnia. Each time we debate Bosnia, the situation on the ground appears more grave. At the outset, I pay tribute to the courage and professionalism of the British troops who face the gravity of that crisis on the ground. Like the Defence Secretary, I have visited our forces in Bosnia and I was impressed by how, in a difficult situation, they maintained high standards of morale and of commitment to their job. If there have been failures in Bosnia, they are not failures that we can lay at the door of our troops. They are failures for which we and the other members of the international community must accept responsibility.

There have been failures. We do not do justice to the gravity of the crisis if we deny that there have been failures. The international community has failed the refugees of Srebenica to whom we gave a commitment that there would be a safe area. That was the first commitment to a safe area made in Bosnia and it was at Srebenica that that commitment was broken. If the reports on tonight's broadcasting media are correct, it looks as if we are about, in the same way, to fail the refugees of Zepa.

What has shocked many of our constituents is to see the photographs of the flood of survivors from Srebenica and to discover, two years after we had condemned the barbarity of ethnic cleansing, that it was being practised as brutally and callously as before, only this time, in areas that the United Nations had declared to be under its protection. This is not a failure for which we can pass the parcel of blame between the political parties. We all have a share in the responsibility for the failure of the international community.

[Mr. Robin Cook]

There was much in the Defence Secretary's speech with which I would agree. I particularly agree that it would be entirely wrong if we were now to turn the failure in Bosnia into a defeat by withdrawing in the face of that failure. There are more than 2 million civilians throughout Bosnia who depend on the UN presence for food and fuel in winter. The UN troops do more than simply provide escorts to allow that humanitarian relief to get through. The military has turned on the gas, electricity and water throughout central Bosnia. The military often even collects the rubbish in the towns. Civil society in much of present Bosnia under the present circumstances would collapse if the UN were to walk away.

There would be military consequences for the area if the UN were to withdraw. One of the major achievements of the UN presence in Bosnia was the negotiation of a ceasefire between Croat and Muslim forces in a conflict which—at the time—was providing more casualties than the war with the Serbs. That ceasefire is still policed by UN forces—particularly British forces—who daily still inspect the ceasefire line between the two forces. If the UN forces withdrew, there is a real danger that that ceasefire would rapidly unravel.

Mr. Edward Leigh (Gainsborough and Horncastle): Does the hon. Gentleman agree that whatever else may divide the House on party-political grounds, one thing that does unite us is the belief that British public opinion would not tolerate our troops in Gorazde being treated with contempt, brushed aside and disarmed so that humanitarian excesses may take place?

Mr. Cook: I wholly concur with the hon. Gentleman. British public opinion has been much more robust than some Members give credit for, and there is a willingness to see through the mandate. I also entirely agree that it does not serve the interests of our troops, this House, or the people of Bosnia, if we turn the issue into the kind of party-political dispute which it unfortunately appears to have become in Washington.

Withdrawal would have consequences of a profound character well beyond Bosnia. I find it difficult to see how we could contemplate withdrawing the UN presence from Bosnia without there being immediate demands for a withdrawal from Croatia. Such a withdrawal would leave the UN protected areas in Croatia unprotected and would reopen the prospect of President Tudjman renewing the military campaign against the Krajina Serbs. That would raise the danger of the restoration of a full-scale war between Serbia and Croatia, both of whom are—if anything—better armed than they were last time.

Nor would the consequences of withdrawal be confined to the Balkans. Throughout central and eastern Europe, there are many borders—mostly drawn on the map at Versailles in 1918—which divide ethnic communities from each other and throw together other ethnic communities. If Europe permits the borders of Bosnia to be redrawn by military force, we will send a profoundly destabilising message across central and eastern Europe. Moreover, if the consequences of abandoning Bosnia encourage conflict in any of those countries, there would be no UN expedition to contain such a conflict because, in the wake of a retreat from Bosnia, the UN may not have the authority to mount a similar peacekeeping exercise for a generation. That is what is at stake.

Yesterday, when my right hon. Friend the Member for Sedgefield (Mr. Blair) addressed the House at Prime Minister's Question Time, he said that we have a duty to uphold the UN mandate. A number of Conservative Members interrupted at that point to say that we did not have that duty. Away from the more charged and partisan atmosphere of Prime Minister's questions, I hope those Members will reconsider their response. I must say that I agree with the Defence Secretary—we do have a national interest at stake in the Balkans. That national interest is in upholding the principle that borders must not be changed by force.

Mr. Julian Brazier (Canterbury): Is not the point that Bosnia was a part of an internationally recognised country called Yugoslavia until just four years ago, when the international community chose arbitrarily to recognise it as an independent country against the wishes of a large number of its citizens?

Mr. Cook: One of the things that I have learnt in the past nine months is that if only one could go back to the appropriate point in history, it would be entirely possible to resolve the problems we face today. I would counsel the hon. Gentleman against saying that because the borders have existed for only four years, and are therefore not inviable. There are many borders across Europe which have been created in the past four to six years following the collapse of the Warsaw pact and the Soviet Union. Whatever doubts there may be about the wisdom of the original recognition of Bosnia, the fact is that it was recognised, and we cannot withhold from that recognised Government the right to inviable borders that we insist for ourselves and for any other independent country.

Mr. John Townend: Will the hon. Gentleman give way?

Mr. Cook: The hon. Gentleman has intervened already, but I shall give way on this occasion. I am anxious not to take as long as might be normal. I appreciate that it is a three-hour debate and that other hon. Members wish to speak.

Mr. John Townend: Does the hon. Gentleman accept that the borders of Croatia and Bosnia have been redrawn despite the presence of the United Nations? The UN has not prevented that from happening.

Mr. Cook: As I understand it, the hon. Gentleman is suggesting that we should now acquiesce to what military action has delivered to the Karadzic Serbs. My argument is that if we appease on this occasion, we will face similar problems across many parts of eastern Europe, and Members must not imagine that we can then stand back in isolation from those problems.

I put it to the hon. Gentleman that the Conservative party has a proud record of upholding that principle during the past 16 years it has held office, both in the south Atlantic and the Gulf. It would be perverse if this country were now not to uphold that same principle when it is challenged within Europe.

A commitment has been made by British forces in the fulfilment of the UN mandate in Bosnia. I find it a rather curious feature of some of the discussions about the crisis in Bosnia in the past few weeks that some people refer to the UN as if the UN were somebody else. They talk about the UN as if it were some other country, whose

Government are to blame for the problem. The hon. Member for Bridlington (Mr. Townend) did that himself, in a way, when he intervened a moment ago.

The UN is ourselves. It is made up of countries such as us. Indeed, Britain has a leading responsibility in the UN as a member of the Security Council. We ourselves supported in the Security Council the very mandates that we are now fulfilling within Bosnia. We cannot put ourselves forward as that leading member of the UN if we do not also accept the duty to fulfil the mandates.

If our commanders on the ground, of their own volition, were at any time to say that it was simply too dangerous for our troops to stay, there must be no alternative in the circumstances but for us to withdraw the troops. But those are the only circumstances in which we should abandon our mission in Bosnia. Those who demand withdrawal in any other circumstances must ask what message that would convey to the Karadzic Serbs. I may say here that I hope throughout to refer to what are commonly called the Bosnian Serbs as the Karadzic Serbs. There are many Serbs who support the Government of Bosnia, and there are some Serbs in Pale who do not support Karadzic.

I submit that the message we are in danger of sending to the Karadzic Serbs by talking of withdrawal is that if they apply a little more pressure, we will pack up and get out of the way. If I am right, the demands for withdrawal do not serve the interests of our troops there, but make it all the more likely that they will come under that extra pressure.

Our response to the setbacks in Bosnia should not be to accept defeat and pull out, but to show a new determination to carry out the UN mandate. Two months ago, the international community demonstrated unity and resolve in demanding freedom for the UN troops taken hostage. We must now show the same unity and resolve in delivering freedom from fear and oppression to Bosnia's civilians. The fate of the eastern enclaves raises doubts about the resolve of the international community, and doubts will have been raised in the minds of the Bosnian Government and the Karadzic Serbs.

Mr. Iain Duncan Smith (Chingford): Will the hon. Gentleman give way?

Mr. Cook: I have some hard questions to ask, but I shall give way to the hon. Gentleman first.

Mr. Duncan Smith: I thank the hon. Gentleman for giving way; I know that he wants to make progress. He advanced a powerful argument for delivering an ultimatum to the aggressors—in this instance, those whom he has described as the Karadzic Serbs. What if that ultimatum is not accepted? Does it follow that one of two things must then happen? Must we be prepared to support such an ultimatum militarily? Failing that, does the hon. Gentleman accept that the alternative is to give the numerous troops on the ground—the Bosnian Government troops, that is—an opportunity to support the ultimatum by allowing them to arm themselves with heavy weapons?

Mr. Cook: I am at one with the Secretary of State for Defence on the question of lifting the arms embargo. I see no way of lifting the embargo without immediately pulling out the United Nations presence, with all the consequences that I have just paraded before the House. As the hon. Gentleman has raised the issue, let me take this opportunity to issue a plea to the United States Congress not to make such a decision, and in particular not to make it unilaterally. Unilateral action by the United States to lift the arms embargo would have profound consequences not only for Bosnia and the United Nations presence there, but for the legitimacy of United Nations resolutions on any conflict around the world that the United States had chosen to set aside.

I said earlier that some hard questions must be answered. The first is this: was there no intelligence warning of the attack on Srebrenica? Those of us who saw the photographs of the attack noted that it involved heavy artillery attacks. Did no one observe the build-up? If we knew that an attack was coming, why was the Dutch garrison at Srebrenica left at half strength? Why was there no formal protest of the kind that the Secretary of State has just made, with a warning to Mr. Karadzic? Why was there no attempt to involve President Milosevic in pressure to make the attackers back off?

It is reported that the Dutch troops requested close air support, and that their request took four days to process in Zagreb. That suggests that the pace of bureaucratic decision-making in Zagreb is wholly out of step with the urgency of the military conflict on the ground. If our response is to be more robust, and if the dual-key mechanism is to continue in its present form, we must ask whether the current UN civilian leadership is capable of the response—and the speed of response—that the military requires.

Of immediate concern to the House and the British people are the hard questions that now arise over Gorazde and the safety of the Royal Welch Fusiliers and other units of the British forces in that town—and also the safety of the tens of thousands of civilian refugees whom it is their mission to protect. The gravity and isolation of their position is underlined by the fact that in the past 24 hours they have found themselves protecting Ukrainian troops who were themselves there as part of the UN protection force.

I understand that the situation in Gorazde is now serious. Only one food convoy has gone through in the past seven weeks. The function of our troops was to observe whether the two sides were adhering to the observance of the safe area; for the past two months they have been unable to man the observation posts lest they themselves be seized as hostages. The danger is that the entire contingent will, in effect, become hostages as a result of being based in a camp at the bottom of a valley ringed by Serb artillery.

In those circumstances, I find it puzzling that over the past week it has been the French Government who have demanded the strengthening of the British garrison, while British Ministers have explained the difficulties in the way. Having heard the Defence Secretary rehearse those difficulties, I must ask why we have had British troops in such an isolated and exposed position for a year with, apparently, no prior contingency planning of what practical means could be used to strengthen their position if they came under threat—particularly in a conflict such as this. There is ample historical reason for suspecting that the Karadzic Serbs would not remain committed to the paper undertaking that they gave not to attack.

Mr. John Redwood (Wokingham): Will the hon. Gentleman give way?

Mr. Cook: I will, but this must be the last time if I am to make progress.

Mr. Redwood: What is the hon. Gentleman's message to the Royal Welch Fusiliers in Gorazde, and what action does he recommend to strengthen their position or provide them with additional cover?

Mr. Cook: The message from the House to the Royal Welch Fusiliers is that they have our full support for their mandate and their mission. Our second message must be to the Government—that every possible practical means must be found to strengthen the position of the Royal Welch Fusiliers.

The right hon. Gentleman's intervention brings me conveniently to my next point. If the Government have no practical means of reinforcing the garrison, I hope that there are contingency plans to remove the soldiers from Gorazde if they cannot sustain their position. If reports that that is being examined are correct, I hope that withdrawal will be accompanied by an agreement allowing the orderly evacuation of refugees, so that the refugees in Gorazde are not abandoned—like those in Srebrenica—to the mercy and charity of the Karadzic Serbs.

I want to raise a final issue about the military position. It arises from our last debate, when the Prime Minister announced the establishment of the rapid reaction force and presented it as a new capacity for the United Nations protection force.

Mr. Tony Marlow (Northampton, North): Will the hon. Gentleman give way?

Mr. Cook: No. I said that I had given way for the last time; many hon. Members wish to speak, and I am anxious to make progress.

As I was saying, the Prime Minister presented the rapid reaction force as a means for the United Nations protection force to protect itself. It may well be that the relief of Gorazde is not an appropriate or realistic mission for the rapid reaction force, but it must be able to make some useful contribution to the deteriorating military situation in Bosnia. After all, we have an obligation to Sarajevo, which is now receiving one sixth of the amount of food that it requires.

I noticed yesterday that the Prime Minister did not rule out the use of that force to secure a land route into Sarajevo. If that is militarily feasible, I urge the Government to issue a valuable signal to residents of Sarajevo who are under siege that there is material assistance for them, and a clear signal to the Karadzic Serbs that the international community has the will to enforce the UN mandate where it has the capacity. That would also help to dispel some of the accusations that the rapid reaction force is little in evidence in Bosnia, because its real purpose is not to strengthen the UN presence but to assist in the removal of that presence.

The really worrying issue is that we have already committed a large quantity of our troops to the Bosnian theatre with no clear idea of what they are meant to do, and without the capacity to carry out much of what we ask of them. That is unfair to our troops and damaging to the UN, whose authority is diminished as a result. It also encourages the Serbs every time they discover that we have not the capacity to deliver on our threats or fulfil our promises.

Our future strategy in Bosnia—for I believe that we must remain in Bosnia—should include four guidelines. First, we should clarify what are the feasible military objectives, and ensure that we provide the military assets to achieve those objectives. Equally, we must ensure that we do not make commitments to objectives that we do not regard as militarily feasible. Secondly, we must show resolve in securing the objectives that we define as achievable. It would therefore be helpful if those who speculate about what those objectives might be did not in the same breath speculate about the possibility of withdrawal.

Thirdly, we must back every possible diplomatic and economic sanction to oblige the parties to the dispute to reach a political settlement. In view of clear evidence over the past two months of the support that President Milosevic has given the Karadzic Serbs, there must be no more talk in the immediate future of relaxing sanctions on Serbia. That does not mean that we should not be prepared to lay on the table now a programme of economic reconstruction for the post-war period, which might help to concentrate the minds of those in the Balkans on the enormous destruction and lost opportunities that the conflict has cost the economy.

That brings me to my final guideline. As well as containing the military expression of ethnic hostility, the international community should engage more actively in the propaganda war that manipulates that hostility.

The control of national television and press gives Presidents Milosevic and Tudjman weapons more powerful than their tanks or aircraft. The people of Serbia have never seen the candid pictures that we have of the horrors done in the name of greater Serbia in Srebrenica because, the night after that event, the news was filled with a half-hour bulletin about the record harvest in Serbia, with President Milosevic gathering it at the wheel of a combine harvester. That totalitarian control of the media is part of the reason why nationalist politicians can prolong the war, regardless of the cost to their people.

Some progress towards increasing the pressures for peace might come if a modest fraction of our effort in former Yugoslavia went into providing and supporting access to alternative pluralist news media.

There is one central message which it could offer to the peoples and the politicians of former Yugoslavia. That is that, in disappearing into their own history in search of justification for present hatreds, they are turning their back on the Europe of the future. The modern Europe is about bringing down barriers, building bridges on the economic ties that cross ethnic and cultural divisions. What is happening in the former Yugoslavia is a challenge to the values of that new Europe, to equal democratic rights, to religious tolerance, to ethnic pluralism—values which are not the monopoly of any party in the House, but are common to both sides of the House.

That is why we cannot walk away from Bosnia; not only because to do so would be to abandon civilians there to humanitarian catastrophe, but because to do so would be to walk away from our own values. There must be no doubt about our commitment to those values and that is why, in Bosnia, we should take every practical step to support and defend those values.

Mr. Deputy Speaker: I remind hon. Members that all speeches are now restricted to 10 minutes, with the exception of that of the official spokesman for the Liberal Democrats.

8.52 pm

Mr. Douglas Hurd (Witney): The last occasion on which the House discussed Bosnia was when my right hon. and learned Friend the Foreign Secretary made a statement a week ago. Some of the press reported critically on the exchanges across the Floor of the House that followed. I thought that those exchanges reflected reality, as have both the speeches to which the House has just listened.

The House feels very strongly about Bosnia but, with relatively few exceptions, it discusses Bosnia now with a very bitter sense of realism. In that, I believe that it is in tune with the view of the public in the country, perhaps more than some of the comments in the media.

Everyone who has followed this tragedy from the beginning, or has come to it lately, feels distressed, angered and frustrated by the suffering that we are now witnessing again. Everyone can now see that that is largely the responsibility of the Bosnian Serbs. I think that, overwhelmingly, people believe that Britain should, with others, do what we realistically can to soften that suffering and bring about a settlement.

We know that all, or almost all, those who are fighting in Bosnia have homes in Bosnia because they are Bosnian Serbs or Bosnian Croats or Bosnian Muslims. That is to say, as my right hon. Friend the Secretary of State for Defence said, we are dealing with, essentially, a harsh civil war, originally supported from outside, with confused fighting lines, in which cruelties and lies abound.

No solution can be imposed from outside except in one circumstance—except if we had sent a large international army on what would have been, essentially, an imperial mission, to fight, to take casualties week by week in those mountains and valleys and to stay indefinitely while the solution that we had imposed took hold.

Many commentators in many countries have overflowed with rhetoric, as though it were because of a failure of the international community that that has not happened. But the House knows that no single country has at any time suggested that that could, or should, be done. What has been much more commonly expressed is the idea that a total answer could have been achieved by lesser military means. I believe that that is, frankly, flannel.

Ms Short: Will the right hon. Gentleman give way?

Mr. Hurd: I shall give way once, to the hon. Lady, and then I should like to make progress.

Ms Short: Is not the problem the pretence that we must choose between an all-out ground war and no use of force at all? Could not the UN have used force defensively, to protect the safe areas, to get the supplies through? That is the failure, and I am afraid that the right hon. Gentleman is partially responsible for it.

Mr. Hurd: My right hon. Friend the Secretary of State for Defence has discussed that argument. Resolution 836 and, indeed, the earlier one on Srebrenica, established safe areas and appealed for troops, which were not then forthcoming, to deal with them. I do not believe that any shame attaches to this country because, as my right hon. Friend said, we were one of the three countries that responded specifically to that request.

However, I am discussing the belief that the hon. Lady has often expressed—the idea that, somehow, by lesser military means than the total imperial mission, peace with justice could have been achieved by a few bombs in a few weeks, by a little extra equipment for the Bosnian Government, by a few extra million dollars. I really believe that that is flannel.

Mr. Andrew Hargreaves (Birmingham, Hall Green): Would my right hon. Friend give way?

Mr. Hurd: No. I have only a short time and I have given way once. I would rather get on and conclude.

There is a role for air power, as Her Majesty's Government have acknowledged for two years now, and in the next few weeks there may well again be a role for air power to deter Bosnian Serb attacks on Gorazde or Sarajevo. But I do not believe that it is possible, from the air, to bomb the Bosnian Serbs into coming to the conference table and reaching a peaceful settlement.

However, although most people in this country accept that we cannot do everything, they do not go on to conclude that we should do nothing. They support the substantial efforts that we have made—perhaps more pre-eminently than any other country, counting the aid as well as the military side—and want that effort to continue for as long as it can. As long as it can, Mr. Deputy Speaker—that is the rub.

I conclude with two short points about that. I believe that the next two or three months may be the climax in deciding whether it can. As my right hon. Friend the Secretary of State for Defence said, UNPROFOR depends on a minimum of consent which does not at present exist. If there is no substantial improvement, we may, by the test of the hon. Member for Livingston (Mr. Cook)—by the judgment of our military commanders—have to withdraw.

I have felt, for a bit now, that it might be right to be a little more specific about that, and to say that, unless specific improvements on the ground are achieved, unless consent is restored, it might well be the judgment of our military commanders that we could not continue. UNPROFOR might then have to withdraw. I believe that then the arms embargo would have to be lifted; the logic of what my right hon. Friend the Secretary of State for Defence said about that is clear.

I do not believe that either side really wants to be left alone with the other side in that bloodstained cockpit, knowing that their opponents—and that would be true of both sides—would be able to draw indefinitely on the very large quantities of weapons that are available in a world awash with arms.

I understand the operational difficulties of withdrawal, as I am sure does the House. A scheme for withdrawal that involves introducing a large North Atlantic Treaty Organisation force to help the withdrawal of a relatively smaller United Nations force will have a seismic effect on the ground, on the region. It will powerfully change the position in a way that military planners, whether in Supreme Headquarters Allied Powers in Europe or in London, cannot be sure of in advance.

Unless circumstances can be improved—unless the minimum consent can be restored—withdrawal may be inevitable because, in the judgment of military commanders, the force could not continue. That is not

[Mr. Hurd]

inevitable, but it is a real danger, and I believe that we can use that real danger to bring about the improvements that are necessary.

I conclude by congratulating my right hon. Friend the Secretary of State for Defence on his appointment, on the speed with which he has visited the troops in Bosnia and on the admirable and effective speech that he has just made.

Some speak as though there were some system of international order which already exists, some glass palace of peace which has already been built and which is being shattered by what is happening in Bosnia or in west Africa or the former Soviet union, where similar horrors are occurring. But there is no such thing. There is no new international order. Man's cruelty to man continues; the tragedies multiply. What does happen is that people try to avert the tragedies, try to prevent them and, when they occur, try to reduce them.

Some of those efforts succeed. They have succeeded in Namibia, they have succeeded in Mozambique, and they have partly succeeded in Cambodia. Some fail, such as in Somalia and Rwanda. Bosnia now hangs in the balance, unfortunately tilting the wrong way. On many occasions, Britain does not and should not take part; we cannot be even a part policeman everywhere. But sometimes it is right to join in the effort, as we did in Rwanda and as we are doing in Angola and in Bosnia. I am sure that it is right that we should do so for as long as that is possible, but I think that we should use the possibility of withdrawal to secure that minimum of agreement on the ground that would enable us to continue.

8.59 pm

Mr. Denzil Davies (Llanelli): I shall address my brief remarks to the situation in Gorazde, where one of my constituents has a son serving with the Royal Welch Fusiliers.

Despite what we have heard today, I do not know whether the House is fully aware of the real danger facing the 200 Royal Welch Fusiliers and the Ukrainian contingent in Gorazde. The British contingent has a Bosnian Serb military force at the front gate. In its garden, which is a Bosnian Muslim hinterland, there are Bosnian Muslim forces. It has been said—I do not know whether it is correct—that attempts have been made to mine the area behind the British contingent to prevent its withdrawing into the hinterland. There are also reports that there may be an ammunition factory in the hinterland producing weapons and armaments.

Gorazde is situated in a valley and is therefore surrounded by hills. There is little or no protection from the air and the 200 Royal Welch Fusiliers have very light armaments. The Secretary of State mentioned a convoy that had gone through recently, but there have been very few convoys in the past few weeks. They are dependent, probably entirely, on the consent and the permission of the Bosnian Serbs. As I discovered from meeting the Minister of State for the Armed Forces, the contingent must take its drinking water from the river Drina and that water must be purified. Getting in food parcels and letters is also dependent on the consent of the Bosnian Serbs.

As we know, the tour of duty comes to an end in early September. Britain has provided three tours of duty in Gorazde and it was hoped that the next would fall to the Ukrainian forces. It seemed that the Ukrainians were keen and happy to do that. However, I no longer think that that is the position in view of what the Bosnian Muslims are reported to have done to the Ukrainian soldiers, including taking their commander hostage and threatening him perhaps even with death. To leave Gorazde in September would again require the consent and the permission of the Bosnian Serbs. That might be forthcoming, but the Bosnian Muslims may have something to say about it also.

The stark reality is that 200 British troops are trapped: they cannot go forwards and they cannot go back. They have very few resources with which to defend themselves, they are vulnerable from the air and they are surrounded by two warring armies. There is the added danger that NATO will decide to bomb in the vicinity in an attempt to deter the Bosnian Serbs from attacking.

When this wretched war is over, perhaps some questions will be asked—such as, who put British soldiers in such a vulnerable position? They are highly trained soldiers from what is probably one of the best armies in the world. They are not peace corps volunteers. If they are put in danger—that is the nature of soldiering—we owe it to them at least to ensure that their orders are based on a rational and sensible military assessment of the dangers that they face.

We face an extremely difficult position and there are no glib answers. The Secretary of State mentioned some of the options. First, we could do nothing. We could wait, and perhaps the Bosnian Serbs might not attack. The British contingent could then leave in early September as planned. I do not know whether the Bosnian Serbs would allow our soldiers to leave. Perhaps they would. I do not know whether the Bosnian Muslims would allow them to leave. There is also a possibility of air strikes. I do not know whether that is a real option.

Secondly, there is the question of reinforcements. I suppose that it would be possible—although the Secretary of State poured cold water on the idea—to fly in a large number of troops in Black Hawk helicopters. They also would be very vulnerable and I do not know how many troops would be needed. Even if they could be brought in, they would still have to receive food and water. The logistic problems would still have to be solved and the troops would still face the possibility of spending a long Balkan winter with the Bosnian Serbs at the gate.

Thirdly, we could sit down now and attempt to negotiate with the Serbs—and, I suppose, with the Bosnian Muslims—the removal of the 200 British troops. I do not know whether that is feasible, but the consequences of that option would be quite considerable for the entire strategy in the eastern enclaves and Sarajevo.

It would be silly to pretend that there are easy answers or easy solutions. I simply ask the Secretary of State for an assurance that the welfare of British troops will be considered to be as important as the legitimate interests and welfare of other people in the Bosnian theatre of war. If our forces are asked to engage in dangerous movements or manoeuvres, their orders must be based on a proper military assessment and not upon some grand gesture designed to save the face of international bureaucrats or politicians.

9.5 pm

Mr. David Howell (Guildford): At the outset of the debate we heard two very fine speeches from either side of the House. I congratulate my right hon. Friend the new

Secretary of State for Defence on what he had to say. It was a very fitting beginning to his time in that high office. He comes to this problem at what appears to be the final part of a miserable series of developments, with the overrunning of Srebrenica, the imminent overrunning of Zepa and great fears among many people that the worst is yet to come.

My hon. Friend said not to press him about what might be done to prevent those gloomy predictions from becoming reality; and we must not press him. However, his comments gave me new confidence that there may be ways of ensuring that Sarajevo is not strangled and that perhaps Gorazde can be saved from the ghastly horrors and tragedies that we have seen in Srebrenica and that we are now seeing in Zepa. Let us not press my right hon. Friend tonight, but let us be confident that he will, and must, find ways of stabilising the short-term situation and preventing a repetition of the miseries of the past few days.

The United Nations has a mandate to protect the enclaves. Of course, that cannot be done against a massive and determined assault by thousands of the enemy—that would be impossible. But a serious attempt can be made to fulfil that mandate and to hold the further enclaves by getting reinforcements there in one way or another. I believe that that can be done. When it is, I hope that it will be done with the consensual support of the other major allies, possibly including the Russians. Certainly the Americans will have to decide between their two policies—the one on Capitol hill and the other in the White House—because one way or the other, the Americans will be drawn into events if the situation is to be stabilised.

My plea concerns not so much the short term. We have all seen the agonies and have armchair recipes, but my right hon. Friend the Secretary of State has to bear the brunt with his other Ministers and with their opposite numbers in allied countries. My plea is that anything that we do to stabilise the short-term situation, to halt the terrifying sense of drift, is combined and interlocked with a new medium-term strategy, to prevent finding ourselves in a similar situation again—that despite a mass of good intentions, we are in an even worse position than now.

The new strategy—which must be intertwined with what is done now, whatever is being planned—should incorporate two vital, realistic elements. I do not want to see the UN humiliatingly withdraw totally. I am uneasy with the language that says that there is an absolute choice between staying and fighting and total withdrawal. The UN has done brilliant work throughout the world. It is doing brilliant work in Bosnia, although we do not hear much about it, in saving lives and safeguarding convoys. It was not necessary to send vast armies into Ethiopia to start to save lives there. I do not know whether Angola is coming right, but the UN did not send vast armies in there. There were a lot of troops in Cambodia, but a lot of work was done. As the hon. Member for Livingston (Mr. Cook) rightly said, the UN is only the sum of its parts. It does not exist as an entity in space.

The UN, through the support of its members, has done good work and there remains an agenda for United Nations personnel—civilians and the brave blue-helmeted soldiers who protect them—in the Bosnian and Balkan region. Having said that, I would not want to see a complete withdrawal. One is obviously vulnerable to the argument, "In that case, are you asking the UN forces to stay to do a job that they have not succeeded in doing?" They have not maintained the safety of the safe enclaves. They have been unable, because they are unequipped, to defend and to fulfil the trust placed in them by the wretched and tragic refugees of whom we have all seen pictures.

There must be yet another part to the strategy but it is not one that yet carries my right hon. Friend, although I drew some hope from his remarks. That part has not carried hitherto the grandee policymakers of Paris and London or the White House—although it has received almost too vigorous support in the US Congress. If we cannot provide the forces on the ground to halt the atrocities and violence of the Bosnian Serbs as they fulfil the Greater Serbia agenda, which they are determined to do, we must examine gradually and carefully, perhaps not overnight, the forces who could do that job but have been denied the weapons so far. I refer of course to the Bosnian presidency troops, who outnumber the Bosnian Serbs two to one. They are excellent fighters but at this moment do not even have enough bullets, let alone heavy weapons, to defend themselves. They do not have the trucks to deploy their forces in such a way as to add to their current desperate efforts to save Sarajevo from total starvation and strangulation.

Parallel with the saving and, I hope, holding of Gorazde—and beyond that the dignified withdrawal in due course of UN troops—should go not merely a reluctant recognition that the embargo must be lifted if we pull out, as my right hon. Friend said. I differ with him. Together with the pattern of holding Gorazde and Sarajevo in the short term must go a medium-term intention to ensure that the Bosnian presidency—the legitimate army of the legitimate Government of that hapless country—has the weapons, and maybe in due course the artillery and tanks, to defend itself. Back always comes the pat reply, "That will mean a vast escalation of the war."

That cliché gets traded around, but it has not been carefully examined. If Bosnian Serb force were met with force, I wonder whether the Bosnian Serbs would not immediately realise that the time for easy games—for walking into towns and murdering Bosnians, and the rest—is over. They would face a determined enemy and there would be a kind of stalemate. Of course it would be a bloody stalemate, but we are seeing that already. Of course it would be difficult. Of course it would be a brave decision, but there might come a morning when the two sides would say, "For neither of us is it worth fighting on. For both of us it is worth sitting down and negotiating. However agonising the negotiation and the partitioning, we must sit down and negotiate." If we go along the path that I indicated, that point could be reached.

We must we ensure that any winding down of the UN's activities is accomplished with dignity. We must ensure that UN civilian and some military operations remain, to save lives in the area. We should not just petulantly withdraw everything. Finally, beyond that withdrawal with dignity or winding down, we let the Bosnian presidency troops and the presidency government have the right and the dignity to defend themselves to show the Bosnian Serbs that there can be no winner and that they should stop the killing and negotiate. That is not only the best way forward but, I believe, the way that events will dictate. I believe that there are no other options. Although we talk grandly of options, there is only the path that I have described, and that is the one that statesmen should now pursue.

9.14 pm

Mr. Menzies Campbell (Fife, North-East): Like the right hon. Member for Guildford (Mr. Howell), I have some sympathy with the restraint that the Secretary of State for Defence displayed in deliberately avoiding enumerating the possible military options. As I think he said, at least by implication, to do so might be to provide information of advantage to those against whom some of the options might in due course be exercised.

With all due deference to the Secretary of State, the debate takes place to some extent in a vacuum. At the end of our deliberations we shall take no decisions. We all know, however, that even as we conduct the debate serious decisions may well be taken in Washington, where the Foreign Secretary has gone to have discussions with the United States Government and, I hope, with members of Congress, although some of the press reports suggest that he may find that a little more difficult than perhaps he would wish.

The debate takes place to some extent in the abstract. The fact that the Foreign Secretary has felt it necessary to go to Washington—I make no criticism of that because I believe that his judgment was correct—serves only to underline something which we have seen in the history of events in the former Yugoslavia over the past two or three years. It is that where the United Nations seeks to embark on a major operation without the wholehearted support, political and military, of the United States, its activities are necessarily inhibited. Some of us may not like that but the events of the past two or three years demonstrate it eloquently to be the case.

What else do the events of the past two or three years tell us? They tell us—I suspect that this is a lesson not yet learnt—that it is necessary to establish clear political objectives and then to provide sufficient military resources if we wish to implement Security Council resolutions.

If the strategy has been one of containment, that strategy has succeeded to some extent. We are obliged to ask ourselves, however, how long that will be the position. If events continue to take their present course, can the relative calm in Kosovo and Macedonia be maintained? If the strategy has been to feed as many people as possible, that strategy too has substantially succeeded. That is especially so in central Bosnia. If the strategy was to drive the participants back to negotiation, we would be right to acknowledge that it has been a comprehensive failure. Why has that been so?

We can track through the history of this matter and the path of the international community a lack of resolve that almost month by month, and sometimes week by week, has done nothing to increase the willingness of the Bosnian Serbs, or the Karadzic Serbs as perhaps we may now call them, to take advantage and to call the bluff, if we like, of the UN.

The House will recall that we declared a no-fly zone. It was several months, however, before we put aircraft over the former Yugoslavia to enforce it. I understand that combat air patrols are no longer being flown over the land mass of the former Yugoslavia, although they may be still be being flown over the Adriatic. We declared an arms embargo, but it was more than six months before there was an adequate fleet in the Adriatic to seek to enforce it.

Already, in the course of the debate, we have heard cries of withdrawal. I wonder how many people who cry for withdrawal have actually been to the former Yugoslavia and made any effort to assess precisely what would be involved in withdrawal. It is a country which consists, as many will know, of a lot of valleys with poor roads at the bottom of deep slopes. The idea that there is some easy withdrawal to be effected in a matter of a few weeks frankly does not stand up to even a moment's consideration if one has regard to the country's geography.

If we were to withdraw, there would be damage to the reputation of the United Nations. Some have rightly talked of the long-term consequences of withdrawal. In my judgment, however, that would be nothing compared with the short-term risk to the civilians who occupy the former Yugoslavia, and Bosnia in particular. Which of us believes that, if there was a withdrawal, hostilities would cease?

As I believe is now generally acknowledged—the Secretary of State said so expressly—if there is a withdrawal there would be no legitimacy in seeking to maintain the arms embargo. A stalemate may well come about, as the right hon. Member for Guildford said a moment ago, but one must have regard to what the consequences and circumstances would be from the moment of withdrawal and the lifting of the arms embargo until the point at which that stalemate was achieved. I beg to suggest that those consequences and circumstances might be very severe and damaging indeed.

Then we must ask ourselves: what purpose can be served by the United Nations remaining in the former Yugoslavia? Like others, I have used the illustration from time to time, that the relative calm and the return, albeit grudgingly and with difficulty, to normality in central Bosnia continues to provide a rationale for our remaining. But I begin to doubt if that is enough.

With regard to Zepa, one must be blunt. There seems little enthusiasm for or prospect of Zepa being successfully defended against a Bosnia Serb advance if that is what they choose to do. As to Gorazde, I do not—nor, I suspect, do any of us except those sitting on the Treasury Bench—have access to sufficiently adequate intelligence and information to determine whether Gorazde can be defended. Even if we were to decide that it could be defended, we would have to ask ourselves the subordinate questions: does that defence apply only to the United Nations forces who are there or, if we were talking about the defence of Gorazde, do we mean that we will defend any civilians who may find themselves under attack as well?

I do not yet hear or understand there to be any clarity in a decision of that kind. It could be argued that the mere fact of sending large numbers of troops to Gorazde, whether by helicopter or otherwise—I suspect by helicopter only because, since the road from Kisseljak to Gorazde is substantially in Bosnian Serb hands, helicopters are probably the only means of doing so—would be deterrent enough. Like other hon. Members, however, I do not have the information which would allow me to reach a certain judgment on that matter. I therefore ask myself again: what is there that we can do that we can have some assurance about?

We can say that we will not allow Sarajevo to be strangled and that we will open and maintain, with military means if necessary, a route for humanitarian

relief over Mount Igman to Sarajevo. I say that for the obvious self-evident reason that we cannot have the strangulation of that city, with all the consequences for the people who live there.

The second and perhaps more long-term element of that is to say that that would show in a dramatic and forceful way that the United Nations is possessed of resolve in these matters and that where it is militarily possible it is prepared to take steps in order to ensure that the resolutions by which its presence in the former Yugoslavia is justified can be implemented robustly.

Mr. Dalyell: The hon. and learned Gentleman talks about military means to keep a road open. What is his estimate of the size of that military means and would it involve arming?

Mr. Campbell: On the issue of armour, I do not think that there is any doubt that it would be difficult to transport it over Mount Igman, not least because one would have to bring it up by road from Split. But I am satisfied that the rapid reaction force, properly deployed—particularly its first element which, as the hon. Gentleman knows, contains artillery—plus the full repertoire of NATO air power, would be sufficient to keep open such a route were it to be established for humanitarian purposes. I have some corroboration for that as that view has been expressed on a number of occasions in the recent past. From conversations that I have had, I believe that that view carries a certain amount of authority among those who may be responsible for making the ultimate decision.

Some say that we should not do any of those things and continue to fulfil what is sometimes called, rather inelegantly but perhaps very descriptively, the muddling-through option. The muddling-through option will inevitably lead to withdrawal and it offers no clear policy objectives. It puts our forces on the ground in an impossible position—one that will be increasingly untenable. In that connection, I think that the House would want to know, within the constraints that the Secretary of State suggested at the outset, the precise role of the rapid reaction force. What are its terms of reference at this moment and what will its rules of engagement be in general terms? When may we expect it to be fully deployed and operational?

Phrases such as "defining moment" and "turning point" have been used so often in the descriptions of what is taking place in the former Yugoslavia that they have lost their ordinary meaning. But one can say without over-dramatising the situation that the future course of events in the former Yugoslavia may depend acutely on the decisions taken in the next few days. More than that, those decisions may signally affect the relationship between Europe and the United States of America and may signally determine the credibility of the United Nations in a post-cold-war world.

The resolutions of the Security Council can be enforced in a restrained way or in a robust way. Until now, the policy has been to show restraint, but I do not believe that that restraint has brought the international community—or, more importantly, the people of Bosnia—much satisfaction. The chilling image of the 20-year-old girl, anonymous and alone, who hanged herself out of desperation and hopelessness should haunt us all. That image should not drive our policies, but it should remind us of what the consequences of our policies may be.

9.27 pm

Sir Patrick Cormack (Staffordshire, South): I shall begin with some brief congratulations. First, I congratulate the hon. Member for Livingston (Mr. Cook), who made an excellent and perceptive speech. I congratulate my right hon. Friend the Secretary of State for Defence. We all understand why he is not here now. Again, I was much impressed with what he had to say. May I also say how nice it is to see my hon. Friend the Member for Upminster (Sir N. Bonsor) on the Front Bench in his new post as Minister of State, Foreign and Commonwealth Office. I look forward to his, I trust, robust reply to the debate.

I am glad that the summit is to take place on Friday. I have made about a dozen speeches on this appalling situation over the past three and a half to four years and, in the past 18 months, I have called many times for a summit. I would, admittedly, prefer it to be at head of state level, but the fact that a specific summit is being called with this subject as the sole item on the agenda gives me some encouragement. It gives me encouragement that, at long last, a more co-ordinated, cohesive, united and resolute approach is on the cards.

The sad, deplorable story of the past three and a half years has not been one of the failure of British troops. Their bravery is unsurpassed, and we all rightly pay tribute to them every time we debate this subject. No one seeks to criticise—I certainly do not—the motives or credentials of our Government or the Opposition. But I have often been haunted by the remarks of Edmund Burke who said in this place so long ago that all that is necessary for the triumph of evil is that good men do nothing. I do not suggest that good men have done nothing, but it is manifestly clear that they have not done enough.

The hon. Member for Livingston, who spoke for the Opposition, did not seek to absolve himself of a degree of culpability, and in that he spoke for us all. The honour of the House is at stake far more than it was in the debate that we had earlier today. It is crucial that this situation in the centre of Europe does not become a cauldron that boils over into a European conflagration. That remains just as much a possibility as it did in the early hours of that December morning in 1991 when I drew a Consolidated Fund debate on the situation in the former Yugoslavia, and for the first time the House turned its attention to that.

I am sorry that the former Secretary of State for Foreign and Commonwealth Affairs, my right hon. Friend the Member for Witney (Mr. Hurd) is not in the Chamber. He spoke about there being no new world order. We accept that, but it is no excuse for not seeking to build one upon Europe's disintegrating old order. That is absolutely essential.

The hon. Member for Livinston was right when he spoke about the signals that will go out if the Yugoslavian situation results in ultimate disaster. A number of us have made similar observations in the past. Irrespective of whether it develops into full-scale war, drawing in America and Russia backing opposite sides, those signals will be a recipe for international anarchy. Without the rule of law in a country there is no civil order, and without international law and respect for it, there can only be international anarchy.

[Sir Patrick Cormack]

We have agonised in public for far too long about the difficulties. Of course, whatever course is adopted is fraught with risks—far more so now than it would have been if those air and naval patrols had been put in when Dubrovnik was being shelled. The risks have increased as vacillation has led to the Serbs calling people's bluff time and again.

Let us consider for a moment what we are debating. President Milosevic has publicly repudiated Karadzic. He has not done enough, and there is much more that he can should do before there is any question of lifting sanctions. But he has dissociated himself from the activities of the Karadzic Serbs.

It has been said often recently in the House that the Karadzic Serbs—I think that I was the first to use that specific term—do not represent the whole Serbian population of Bosnia-Herzegovina: far from it. At most they represent possibly 50 per cent. and probably fewer. That is the group of people we are debating. They have in effect declared war on the United Nations. That is what has happened. It is not a question of embarking on a war or throwing our weight around in that sense, but of the United Nations not allowing its mandates to be set at naught by a gang of brigands.

We must therefore display determination and resolution. It must be made absolutely plain to Karadzic that Gorazde will not fall, and that Sarajevo will be relieved. Not a hair on a single Serbian head needs to be touched, but should they persist in their appalling actions and attitude, punitive action will be taken from the air and elsewhere. Of course it was right for the Secretary of State for Defence to be vague on that subject—one does not announce in advance precisely what one is going to do.

There must be no doubt in the Karadzic Serb mind that the international community means business and is not going to see its rule flouted in this appalling way by those who have despoiled villages and towns, raped women and caused mayhem.

My right hon. Friend the Member for Guildford (Mr. Howell) spoke about the lifting of the arms embargo. It has always been morally indefensible to have recognised a sovereign state, yet neither allowed it to defend itself nor defended it. My right hon. Friend the former Foreign Secretary once used unhappy words about "level killing fields". Far better that there should be a level killing field than a field of slaughter, with all the heavy weaponry in one pair of hands and none in the other.

I do not want to see a quick move to lift the embargo—that will not be necessary given the resolution I have called for. There should be absolutely no doubt, however, in the Karadzic Serb mind that ethnic cleansing will not be allowed to pay off, and that those Serbs will not be allowed to alter international borders by flouting international rules.

It is essential that, during the summer recess which we are to begin tonight, there should be no question of a great European city, which is Sarajevo—a model of multi-ethnic co-operation until a few years ago—being allowed to fall. That must not be allowed to happen, and the seige must be lifted in the interests of the new European humanity about which the hon. Member for Livingston so eloquently spoke.

If there is any major change in policy, there must be no question but that the House must be recalled to discuss it. I hope that there will be no faint hearts on the Conservative Benches or in any other part of the House, and no flinching from our country doing its duty. This is a great nation; a leading member of the European Union; a permanent member of the Security Council and a founder member of NATO.

In the very year when we commemorate the ending of the second world war, are we going to see our proud history of the past 50 years and our country's reputation besmirched by being defeated by the sort of people who are holding men and women to ransom in Bosnia tonight? I do not believe that we are. I have every faith in the Prime Minister. I hope that the summit on Friday will produce a resolution and determination and I look forward to that.

9.38 pm

Ms Clare Short (Birmingham, Ladywood): Our failure and that of the international community—Britain has played an enormous part in that, in which we are all implicated, as we all agree—to stand up for what is morally right and right in international law in Bosnia has created a nightmare there, that will haunt Europe for a long time to come. It has created unbearable suffering for the people of Bosnia. The United Nations has been humiliated; NATO has been humiliated, and any petty dictator seeking to acquire territory by force must feel encouraged by what has happened in Bosnia.

Bosnia is a multi-ethnic state, recognised by the world community as an independent nation and a member of the United Nations. The population is predominantly Muslim, but it is mixed—23 per cent. of Bosnian families are a mix of Serb, Croat and Muslim. It is profoundly interesting that so much of the talk is about Serbs, Croats and Muslims, and always assumes that the Bosnian people are Muslim only.

We know that Serbia has been trying to whip up a Muslim bogeyman and suggest that Muslim people cannot have a state in Europe. We are talking about a secular Muslim European people, but there is an attempt to blackguard them as unacceptable people. The language that is used so often by the commentators, which does not refer to Catholic, Orthodox and Muslim, or Serb, Croat and Bosnian, is playing that game. That, too, is dangerous for the world. If the world is to divide and find a new enmity between the Muslim world and the non-Muslim world, that would be dangerous for all of us.

There is a deep and profound feeling of anger among Muslim people throughout the world that the world community does not extend to them the rights under international law that they expect. I saw in the press, either today or yesterday, that, when the Prime Minister of Bosnia was asked why he thought the world community had not protected Bosnia, he said, "It is because we are a Muslim people." That is profoundly wrong, and profoundly dangerous.

Following the world's recognition of Bosnia as a full state under international law, Serb aggression took 70 per cent. of Bosnian territory and 30 per cent. of Croatian territory—a grave breach of international law, trying to change internationally recognised boundaries by force. Following that came the most vile ethnic cleansing, as we have learnt to call it—slaughter, torture and mass and

deliberately organised rape aimed at driving people from the land in which they have lived for generations. Those are profoundly serious war crimes.

It seems to me that the constant suggestion from British Foreign Secretaries that it is a civil war, and that the task of the United Nations is merely to supply humanitarian aid with the consent of the parties—as though the two parties are on an equal footing—is profoundly wrong in principle. It accepts that boundaries can be changed by force, and serious war crimes permitted. That has been the approach form the start, and that has been the error. Under the Vance-Owen plan, there was a willingness to change boundaries, although force had changed those boundaries. There was a willingness to appease ethnic cleansing. The contact group plan does exactly the same.

I admit that, at first, I used to think that the reason for the weakness of British policy and UN strategy was a lack of resolve—a weakness and a fudge about which I was ashamed. I now think that our Government cannot be so incompetent. I believe that there is a hidden strategy to accept a greater Serbia as a way of stabilising the Balkans. Either we have an utterly unprincipled, incompetent, pusillanimous Government, or there is a hidden strategy along the lines of, "Let it happen, because we need a big power in the Balkans to stabilise the position. We will allow a greater Serbia to be built." I am becoming more and more convinced that the latter is the underlying strategy.

Throughout the conflict—it happened again today—it has been suggested that those of us who say that more could be done are advocating all-out war; that we are saying that the UN should go to war with Bosnia. None of us has ever advocated that. Those people rule out the option of an intelligent and restrained use of force by the UN to protect international law; to use force defensively to protect the safe areas, so that any Serb aggression would be against the UN, and the Serbs would have to pay the consequences. It would also be possible to use a restricted force to get food and supplies to people in the safe areas.

The humiliation for the UN is that it takes through supplies with the consent of the Serbs, who steal fuel and food from it. In effect, we are supplying the Serbs, even though there is supposed to be an embargo. That same humiliation extends to British troops supplying Gorazde. Supplies are taken through with the permission of the Serbs, who decide what our troops can or cannot have.

That position should never have been allowed to arise, and it should be brought to an end. We should insist that, when we take supplies through to Gorazde, the Serbs will not be allowed to inspect them. I understand that there are inadequate medical supplies to cope if anything happened to our troops in Gorazde, because the Serbs will allow only certain supplies to go through. That is intolerable.

I believe that after the taking of the hostages and the shooting down of an American plane, which were met with inaction by the west, the Serbs knew that they could take the safe areas. They knew that, even if they took our soldiers hostage, we would do nothing. Our inaction was a message of weakness, allowing the Serbs to go ahead and take the safe areas, because nothing would be done.

We now have to decide what to do, and at this point I have to agree with the right hon. Member for Guildford (Mr. Howell). I do so with regret, because I should have liked the United Nations to take a more robust line at the start. I do not believe that the choices are all-out withdrawal, including the withdrawal of humanitarian aid, or allowing the Bosnians to fight. There is a middle way. We can, and should, defend Gorazde; we must get supplies to Sarajevo; and we must continue to supply humanitarian aid to central Bosnia. But we must allow the Bosnian people to fight for themselves. We will not protect them, and it is absolutely wrong to allow them to be slaughtered.

The brave Bosnian army has absolutely no equipment, and a people who have been wronged as much as this people have must be entitled to fight for their own honour and future. It is unbearable and intolerable that we neither protect them nor allow them to fight. It is shameful, and I agree wholeheartedly, although with regret, with the right hon. Member for Guildford, that we must now move on and plan for the future, so that the Bosnian people can fight for themselves.

Our interests are very much tied up with this problem. There is a real danger for the future of Europe. We shall have our own Gaza strip, with our own secular European Muslim people, who will be angry and bitter and who will engage in any form of protest and violence—quite rightly—to defend themselves against all the wrong that is being done to them. We shall have 2 million refugees, with all the consequences and destabilisation that flow from that. We shall have a humiliated United Nations, a humiliated British Government and a humiliated NATO. All that will encourage any other petty dictator to start on the same road.

I appeal to the Government to adopt a more robust and honest strategy, and give up on the Greater Serbia strategy which I believe lies behind their rhetoric. I appeal to them to save Gorazde, supply Sarajevo, continue to supply humanitarian aid, and allow the Bosnian people to fight for their own future.

9.46 pm

Sir John Stanley (Tonbridge and Malling): I want to deal with just three aspects of this horrendous problem. The first has been touched on a number of times and concerns the civilian population, especially the people remaining in the two enclaves and in Sarajevo.

Surprise has been expressed in some quarters about what happened in Srebrenica, surprise at the speed of its collapse and some surprise about the degree of brutality in which the Bosnian Serb army subsequently engaged, although one has to say that, set against its recent history, it was acting true to form. If that was a matter of surprise, it was also the clearest and starkest possible warning to the civilian populations that remained in the other two eastern enclaves, and potentially also to the civilian population in Sarajevo itself, of what lies in store for them if the Bosnian Serb army is able to overrun those places.

If it is the case—all realistic evidence suggests that it is—that the international community is not willing to deploy the military manpower, arms and equipment on the ground in order to defend the enclaves and, conceivably, possibly even to defend Sarajevo, we cannot simply walk away from our obligations towards the civilians remaining in those places. I am certain that everyone—inside and outside the House—has been utterly appalled at the systematic brutality of the Bosnian Serbs' treatment of the civilian population in Srebrenica and the way in which they separated the men and the boys from the women and

[Sir John Stanley]

children, taking the men and boys to an unknown fate and leaving the women and children prey to the depredations, violations and rape that then occurred. We have a profound obligation to the civilian population in those remaining places.

If we cannot provide those people with the military force to enable the safe haven policy to stand up, there is an obligation on the UN and UNPROFOR to see whether we can at least develop the option of enabling a safe passage for those who wish to leave the enclaves for central Bosnia. The last possible thing that we should do is leave it until it is too late, and to leave those people at the mercy of the Serbs. We know what would happen to them.

Of course I understand totally the difficulties, not least from the Bosnian Muslim Government, because they have been foremost in resisting any suggestion that the civilian population should leave the eastern enclaves, and indeed Sarajevo, but UNPROFOR cannot simply allow what happened to the civilian population in Srebrenica to be reproduced, in Gorazde certainly, and—I hope, if it is not too late—in Zepa. We must take steps to try to provide at least the option for those who want to take it of a safe passage back to the safer areas in central Bosnia.

My second point, which has been dealt with by a number of hon. Members, and particularly by the right hon. Member for Llanelli (Mr. Davies), who has an obviously strong constituency interest, relates to the position of the small British contingent in Gorazde. My right hon. Friend the Secretary of State said that their safety was of paramount importance and I am sure that we were all extremely glad to hear him say that.

I am also glad that, entirely rightly and properly, my right hon. Friend did not elaborate on the options that he has under consideration for ensuring the safety of that contingent. We have a very special obligation to them, not least because by being non-combatants they are in a more vulnerable position than they would have been if they had been combatants. If they had been deployed to Gorazde in a combatant role, they would never have been deployed as a contingent of a mere 200 people with simply their own personal weapons—basically—to protection them. They would have been deployed in hugely greater numbers and with proper fire power at their disposal.

In circumstances where we have exposed our own service men to a huge degree of vulnerability and risk in a non-combatant role under the aegis of the United Nations, there is an overwhelming obligation on us to take whatever measures are necessary to ensure their safety. I hope and believe that my right hon. Friends will make certain that that happens. I hope that they will not place too much trust—or sole trust—in the repeated dictum that people will be held personally responsible on the Bosnian Serb side for what may happen to those who are taken hostage. Unhappily, there has been far too much evidence that that particular threat does not cut much ice. To back that up, I am sure that my right hon. Friends also have very positive measures in mind to protect the contingent involved.

My final point, which was touched on tangentially by the hon. Member for Livingston (Mr. Cook), concerns the rules of engagement which are made available to the members of UNPROFOR and especially to our own forces. In any deteriorating military situation with a capacity to escalate—this clearly is such a situation—it is absolutely essential that our service men have rules of engagement that are sufficiently flexible, sufficiently quick to operate and sufficiently delegated to commanders in quite small localities to be able to be effective in protecting them and their equipment.

Our service men clearly face a multitude of possible threats. They face the threat of being taken hostage. It is clear that they face the threat of being mined-in quite deliberately so that they are unable move with their protected vehicles. It is clear that they may at a future date face the risk of direct fire from automatic weapons, from mortars, from tanks and from artillery.

In those circumstances, it is absolutely essential that our service men have the flexibility and strength of their own rules of engagement so that they can provide for their own protection. In this House and outside, it would be considered unforgivable if a situation arose in which British forces were deprived of their weapons, were deprived of their freedom and taken hostage or, worse still, were deprived of their lives as a result of not having rules of engagement that were adequate to provide for their own security and protection. I am sure that my right hon. Friends will address that issue with the seriousness that it deserves.

This is clearly a situation of the utmost difficulty. We must deal with the realities of the fact that the international community has not put the military forces on the ground that are sufficient to impose the territorial safeguards that we in the House want. That is the inescapable reality. Unhappily, almost every country in the world has failed to deal with the problem with the strength and commitment that we have shown. I refer not least to the United States which, as a matter of policy, has refused to get committed on the ground.

In those circumstances, I see no alternative but to continue to pursue our humanitarian endeavours. We should, however, certainly keep open the option that is undoubtedly available to us—we may be coming much closer to it if we have to make a significant withdrawal—of enabling much more military help and equipment to go to the Bosnian Muslims.

9.56 pm

Mr. Robert N. Wareing (Liverpool, West Derby): I never thought that I would find myself agreeing with the Secretary of State for Defence. I agree fully that the presence of UNPROFOR troops in Bosnia-Herzegovina has saved numerous lives. I also agreed with the right hon. Member for Witney (Mr. Hurd), the former Foreign Secretary, when he pointed out—it needs to be pointed out to those who put forward the idea that all this is about a Greater Serbia—that the people who are fighting in Bosnia are Bosnian Serbs, Bosnian Muslims and Bosnian Croats.

The House and the international community are agonising tonight about whether we can save Gorazde and whether we can save Zepa. It is even argued that we shall have to give up Zepa.

I remember that on 29 June, my right hon. Friend the Leader of the Opposition said that the safe areas in Bosnia must be demilitarised. That was the agreement when the safe areas were established. On 17 July, only two days ago, President Izetbegovic proposed holding direct

negotiations with the Bosnian Serbs on freeing civilians in Zepa. According to BBC Monitoring, although this has not been reported in our media, the Bosnian Serbs reacted immediately as follows:

"The UN should deliver the proposal to us and we will respond to it officially. Following the events in Srebrenica the leadership of the Serb Republic would like to negotiate on Zepa with the aim of transforming it into a real demilitarised zone and to resolve all the contentious issues which caused the conflict."

[Interruption.] I can hear the howling dervishes somewhere at the back. They want to get into war—

Ms Short: Will my hon. Friend give way?

Mr. Wareing: I will not give way; I have got only 10 minutes.

Ms Short: Will my hon. Friend give way?

Mr. Wareing: I will not give way. My hon. Friend has had her 10 minutes and she was not interrupted.

My point is that it is possible to deal with the problems in Zepa and Gorazde by direct negotiations with the Bosnian Serbs. That was the aim of the United Nations resolution on safe havens and it should be carried out.

Mr. Malcolm Wicks (Croydon, North-West): Will my hon. Friend give way?

Mr. Wareing: No, I will not give way.

Mr. Wicks: I understand that, but—

Mr. Wareing: I have 10 minutes. My hon. Friends should allow free speech in this country if they want free speech in Bosnia.

My hon. Friend the Member for Livingston (Mr. Cook) compared Bosnia with the republics of the former USSR. It is true that we are seeing the break-up of a country, but the one essential difference is that the west brokered the change to an independent state in Bosnia-Herzegovina. We had nothing to do with what happened in Georgia or the central Asian republics of the former USSR. But we do bear some responsibility for allowing the Bosnia-Herzegovinan state to be established in the first place.

The situation in Gorazde and Zepa could be resolved if there was a willingness to go ahead with the suggestion that Izetbegovic made two days ago to speak to the Bosnian Serbs. What worries me is that all the initiatives taking place in Bosnia are being made either by the Bosnian Serbs or the Bosnian Muslims. The Bosnian Muslims decided to break the ceasefire at the beginning of May this year, and the Bosnian Serbs decided to advance to take Srebrenica.

I am afraid that we are engaged in snapshot diplomacy, and we are not looking at the full picture. We talk about the safe havens in eastern Bosnia when they are attacked and when pressure is being put on them. We do not look months ahead at what we may be discussing in this House about the situation in the former Yugoslavia. President Tudjman is at this moment preparing for an attack upon the Serbs in Krajina.

Nobody looks at the full picture and asks themselves why the Serbs in Bosnia-Herzegovina are involved in the conflict at all. We must learn from the facts. It is no use trying to forget what happened in 1991. The fact is that whereas the Croats in Zagreb and the Muslims in Sarajevo do not want to be ruled from Belgrade, the Serbs in Bosnia and the Serbs in Croatia do not want to be ruled either from Zagreb or Sarajevo. We must accept that fact.

Miss Kate Hoey (Vauxhall): Will my hon. Friend give way?

Mr. Wareing: I have made it clear that I am not giving way. We must accept that if it is right to grant the Croats and the Bosnian Muslims the right to self-determination, what's sauce for the goose should be sauce for the gander. If the Serbs in Bosnia do not wish to be a part of the Bosnian state, we should look at the whole situation with that very much in mind.

Many of us have been shocked by the dreadful and bestial scenes in Srebrenica, and I share that shock with everyone else. But the television cameras were there, so we could see those events. But when a few months ago, the Croats decided to drive out the indigenous Serb population of western Slavonia—committing crimes as they went—it was not portrayed on television because the cameras were not there. If those events had been seen, we would have been just as appalled.

Tadeusz Mazowiecki, the UN human rights rapporteur, said that UN peacekeepers had seen numerous civilian bodies strewn along the road between Okucani and Novi Varos. The Croats denied access to international observers, and we did not see that. What I am suggesting and maintaining is that all of the crimes are certainly not going all the one way. We have to bear many things in mind.

It is no use talking about a Greater Serbia. All the Croats, all the Slovenes and all the Muslims once lived in the state of Yugoslavia. On 13 February 1991, long before people took any interest in the situation, I put questions about the rising nationalisms in Yugoslavia, as it then was. I was told—as I was told in a letter from the Prime Minister in April 1991—that Britain stood by the territorial integrity of Yugoslavia. As we know, that position was maintained until the time of the Maastricht treaty.

It is unfortunate, to say the least, that in order to secure concessions on the Maastricht treaty we were willing to give in to pressure from the German Foreign Office—and many people in Germany now admit that they were wrong—to accept recognition of Slovenia and Croatia. Slovenia did not matter too much; but even the Badinter report, commissioned by Lord Carrington, reported in December 1991 that if recognition was to be given to any of the republics of the former Yugoslavia, Croatia certainly should not be one of them.

It is the suppression of the Serbian population—a very large population—by the Croatian Government that has caused much of the present conflict. I will venture a bet that it will not be long before the House is debating—

Mr. Deputy Speaker (Sir Geoffrey Lofthouse): Order. Time is up.

10.6 pm

Sir Wyn Roberts (Conwy): I am profoundly concerned about our peacekeeping role in Bosnia. It is a very difficult role to play, and it exposes our troops to all kinds of danger. As my right hon. and learned Friend the Secretary of State pointed out, that peacekeeping role is dependent on the consent of the parties—and, in Bosnia, that consent is far from complete.

[Sir Wyn Roberts]

My hon. Friend the Member for Staffordshire, South (Sir Patrick Cormack) and the hon. Member for Birmingham, Ladywood (Ms Short) pressed for the restoration of frontiers and the raising of the siege of Sarajevo, among other things. All those objectives can hardly be attained by our troops in their peacekeeping role; they can be secured only by troops in their military role. I never thought that we would become so involved in Bosnia—"we" meaning both the British and the Welsh—but involved we are: very deeply involved. There are thousands of British troops in Bosnia, and about 200 members of the Royal Welch Fusiliers in Gorazde. As the right hon. Member for Llanelli (Mr. Davies) observed, the position of the Royal Welch Fusiliers is fraught with danger and difficulty.

Let us be realistic: Gorazde is probably the next so-called safe haven to be attacked by the Serbian forces. I am appalled at the prospect. We have seen what the Serbs have done in Srebrenica, where the Dutch forces were so dreadfully humiliated; we also know what has happened in Zepa, where the Ukrainians were robbed of their arms. I understand from today's tapes that their lives are now being threatened. There is not much doubt in my mind that Gorazde is next, with those 200 Welshmen there. They are not there to defend it; that is not their role. They are simply there, as far as I can make out, to mark it out as a safe haven.

I ask myself, what can those 200 Fusiliers possibly do? They are caught between opposing forces who do not even want them there, so I believe that there is nothing much that they can do. I put nothing past my young compatriots in courage and bravery, but there is very little on their side apart from the firepower of the prayers of those at home. I wish that they had more support, and I understand that the French will offer such support on Friday, but that will be military support, and their role will automatically change. I also gather from the tapes that the Bosnian Serb leader Radovan Karadzic has already said that he will attack any forces that may be brought in to Gorazde.

That is the nub of the problem. We cannot rely on any of our allies to come to our aid, despite the efforts of my right hon. and learned Friend the Foreign Secretary. The United States and France are benevolent but undecided, so let us be absolutely clear in our minds that the buck stops here. The buck stops with the Government, and they will be held responsible for what happens to our troops in Gorazde.

As I have said, I am full of foreboding. My advice is to get our troops in Gorazde out to a safer area, because we have the precedent of what has happened in Zepa and Srebrenica, where other United Nations forces have been involved. I would move them to a safer place if no sufficient reinforcements are available to support them, and it does not appear that such support will be available in time.

I shall not press my right hon. Friend on any withdrawal plan, but I hope that there is one and, if there is not, I have to say that someone is grievously at fault.

I do not disagree with my right hon. Friend the Prime Minister's analysis at Question Time yesterday of the overall position and the alternatives available to us, but I was especially struck by one sentence in his reply. He said:

> "What is clear . . . is that it is not practical to mix war fighting with peacekeeping."—[*Official Report*, 18 July 1995; Vol. 263, c. 1447.]

I could not agree more. That is precisely what is happening. We are changing from a peacekeeping role to war fighting mode, and we are being drawn progressively deeper into the Bosnian war situation.

That is precisely what has happened in the safe havens. The United Nations is trying to do its peacekeeping, but the combatants are determined to fight and are doing so. In the course of fighting, they are threatening our troops. We have given strong assurances about the safety of those troops. Nevertheless there is little that we can do to stop the fighting and reduce the hazard.

Against that background, I urge the Government to regard Gorazde as a special situation. I believe that it will become a special situation shortly, if the precedents of Srebrenica and Zepa are anything to go by. We should therefore regard it as a special situation, requiring very special treatment within the overall policy. I am not talking about a withdrawal policy for the whole of Bosnia. I am discussing the specific position in Gorazde, which is under imminent threat. It is quite clear to me that the United Nations peacekeeping role has failed in the safe havens and the sooner we recognise that reality, the better it will be for us all.

10.14 pm

Mr. Frank Cook (Stockton, North): While listening to the debate, I have scribbled down some notes to try to structure a reasoned statement, but it has taken a turn that almost compels me to throw them away.

First, I shall establish my credentials for commenting on the situation in Bosnia. I am a member of the Select Committee on Defence, which has visited Bosnia three times in the past two and a half years—the last time about two months ago. The Minister of State for Foreign and Commonwealth Affairs, the hon. Member for Upminster (Sir N. Bonsor), who I suppose will wind up the debate, knows all about those visits because he led them as Chairman of the Committee.

The Committee visited many military units. I must associate myself with the comments of the right hon. Member for Llanelli (Mr. Davies) because my son was in charge of maintaining the armoured personnel vehicles that went in with the Duke of Wellington's regiment when it made a dash from Vitez to Gorazde to lift the first Serb seige. If we had time—and if you would lift the rules on parliamentary language, Mr. Deputy Speaker—I could tell hon. Members exactly what my son thought about the Bosnian situation.

I have also discussed the Bosnian situation with delegates from many nations in my capacity as a member of the North Atlantic Assembly and of the parliamentary assembly of the Organisation for Security and Co-operation in Europe states, so I am as reasonably well versed about the situation as any hon. Member might claim to be. Bearing that in mind, I must comment on some of the observations made by what I would call couch

commentators who may not have visited Bosnia, who do not know the terrain and who do not understand the complexities of the situation.

We tend to sit here judging the situation with the Geneva convention at the back of our minds. It is not like that. The Bosnian forces do not behave in that manner. The lack of chivalry in Bosnia has to be seen to be believed. Unless we are prepared to take that on board and accept what kind of adversaries we are dealing with among all of the combatants, we are spitting against the wind.

Two months ago, 400 hostages—many of them manacled to lamp posts and telegraph poles—were used to deter an air strike. I put it to the House that, in Gorazde, the Bosniac—hon. Members will note that I do not say "Muslim"—army has threatened to use the Ukrainians as hostages and as bodyguards against Serbian fire unless the United Nations authorises NATO air strikes against the Serb forces. What can one do in the face of that sort of treachery? It is an absolutely crazy situation.

We talk about insisting on the re-establishment of frontiers and safe havens that were never safe in the first place. The so-called safe havens were never adequately staffed and the staff were never adequately equipped. When those so-called safe havens are infiltrated by Bosniac elements and used as springboards for launching attacks against encircling Serbian troops, how safe can we expect them to be? The whole situation is fraught with such mendacity that we do ourselves a disservice by trying to make sense of it in terms of the standards that we applied previously according to the Geneva convention.

What should we do? I tried to hint at one option in the very limited time for debate following the statement the other day. When the hostages were held last time, the most effective ally we had—pressured by the Russians—

Mr. Denzil Davies: Milosevic.

Mr. Cook: Yes, Milosevic; my right hon. Friend is absolutely correct. He dragged Karadzic to the negotiations and when Karadzic left the negotiations, having been forced to climb down, he had a face like a boy with a smacked bottom. Instead of considering Milosevic's reported claim that he will help if we ease the sanctions, we must make the sanctions ever more stringent and tell Milosevic in clear terms what will happen unless he co-operates to the full in bringing the situation to an end.

We have already broken a federation between the Croats and the Bosniacs in central Bosnia, for which we should give the UN credit. I am not talking only about Britain's part, but that played by the other 41 nations. If we could succeed with the Croats and Bosniacs, who were tearing themselves apart two years ago, there is no reason—given the right approach, pressures and sanctions—why we can not do so with the others. Milosevic helped two months ago, and he can help this week.

What sickens me is the amount of criticism that is levelled at the United Nations. Members of both Front Benches have made the valid point that the UN is us. Having visited Bosnia three times during the past two years, I can tell the House that the United Nations is coming of age through this bloody awful mess. Two years ago, it was chaotic. Twelve months ago, huge improvements were to be seen. This year, the UN is a very good organisation. It is not perfect, but it has real determination and high morale. Instead of using the UN—and Britain is a member of the Security Council—as some kind of whipping boy to expunge our feelings of guilt and shame, we ought to give it credit for doing a first-class job.

The hon. and learned Member for Fife, North-East (Mr. Campbell) based much of his argument on three principles learnt in Vietnam. They are a defined objective, sufficient forces equipped more than adequately, and a clearly defined escape route. We have none of those principles operating in Bosnia. Even if we had, they would not have been workable because we have not in the past come into conflict with the standards operating in Bosnia. Until we learn that lesson, we do not have much chance of resolving the problem. I hope that we will learn the lessons by Friday, when the summit is to be held. I wish the Government well; they have the prayers of all of us.

10.22 pm

Mr. Michael Colvin (Romsey and Waterside): It is a pleasure to follow the hon. Member for Stockton, North (Mr. Cook). I join him in welcoming my hon. Friend the Minister of State, the Member for Upminster (Sir N. Bonsor), who was previously Chairman of the Defence Select Committee, on which I serve.

The House is right to debate Bosnia today, before it rises for the summer recess and in advance of the Lancaster house summit this Friday. I share the view of my hon. Friend the Member for Staffordshire, South (Sir P. Cormack) that we may well return during the summer recess for a renewed debate.

Although we are debating Bosnia, the broader issue of the former Yugoslavia is foremost in our minds. The United Nations was first involved in the former Yugoslavia when it established UNPROFOR 1, now renamed UNPRO. There is much unfinished business in Croatia, and it will have to be resolved before the pieces of Bosnia can be reassembled in a way that provides any chance of lasting peace. Large areas of Croatia are still unlawfully occupied by Serbia. The uneasy truce in that country has been broken because Zagreb was shelled by the Serbs. That situation must be resolved before peace can come to the former Yugoslavia.

We supported the establishment of UNPROFOR 2, but its mandate has run its course and requires redefining in light of the current situation. It is easy to say that the United Nations is faced with mission impossible. Without UNPROFOR, however, the situation would have been much worse. Fatalities have fallen from about 130,000 in 1992 to only 2,500 in 1994. That is thanks to the efforts of the UN, the aid agencies, other organisations and many volunteers who deliver humanitarian aid. Nor let us forget the work that is done by the Overseas Development Agency. Humanitarian aid has saved tens of thousands of lives. The so-called safe enclaves may not have succeeded entirely, but there is no doubt that they have substantially reduced ethnic cleansing.

We have been told that the safe enclaves required 36,000 troops to implement them and that only 7,500 were forthcoming from UN members. The first lesson is that it is no use the UN passing resolutions without first agreeing how the proposals are to be executed. It is greatly to the credit of the Government that we fulfilled our responsibilities as a permanent member of the UN Security Council by doing our bit so readily.

[Mr. Michael Colvin]

The UN is faced with several options. I join those who say that it would be wrong to speculate on which one should be followed. There is no doubt that an all-out NATO offensive is entirely out of the question. That has been forgotten time back. A complete withdrawal is probably wrong. Perhaps moving our troops out of Gorazde is a possibility. I know only that whichever of the options we act upon, reinforcements will be needed quickly.

Total withdrawal could well mean all-out war in former Yugoslavia. It would mean bringing Serbia, and probably Croatia, back in on opposite sides. Such a war could spread to Kosovo, Albania and Macedonia. An all-out Balkan war would ensue. Even Greece and Turkey might be involved, as might the whole of the eastern Mediterranean. I am sure that the House agrees that, in that way, lies chaos. I hope that the United States Senate has the sense not to pass Senator Bob Dole's resolution with a two-thirds majority that enables it to veto the President.

As the hon. and learned Member for Fife, North-East (Mr. Campbell) said, it is extremely expensive in terms of manpower to carry out a total withdrawal. It has been estimated that it would take 22 weeks to complete the exercise and that 60,000 more troops would be required. I should be interested to know the current estimates. Besides being morally wrong, total withdrawal would be entirely impracticable.

Whatever the UN, and the Government as a member of it do, some reinforcements are required at once. That will be a real test of how rapidly NATO's rapid reaction force can react. We know that 1,300 additional British troops are already in Bosnia. What about the remaining 4,000 from the 24 Air Mobile Brigade? Why do we have to wait until the end of August for them to arrive? Is the brigade really as air mobile as its name implies? Surely there are heavy lift air transports available on the open market that could be hired to convey these troops. Or are we waiting for a free lift from our American allies? If lives are at stake, which they are, I regret that the troops of the 24 Air Mobile Brigade have not already been flown out to Bosnia to reinforce our troops there.

Members of the Select Committee on Defence met our troops when we visited Bosnia under the distinguished chairmanship of my hon. Friend the Minister earlier this year. On behalf of my colleagues, I put on record our tribute to the British troops deployed in Bosnia and the British UN commander, General Rupert Smith. Their professionalism, courage and ability to cope with ever-changing and dangerous situations are to be admired—as they are by everyone who has seen them operate. Put simply, we have the best troops in the world. Their morale is high and their leadership is second to none.

There is, however, one matter that causes concern. I refer to the rules of engagement. My right hon. Friend the Member for Tonbridge and Malling (Sir J. Stanley) dealt with that fully and I support everything that he said.

What about public opinion? Last night, Jeremy Paxman, whom I never thought I would would be complimenting in this place, compered the BBC programme "You Decide—With Paxman". A large invited audience, with many experts present, debated whether we should withdraw from Bosnia or stay in support of the United Nations.

Before the debate, 30,000 people voted by telephone; 57 per cent. were in favour of pulling out and only 43 per cent. wanted to stay. Following an intensive and well-informed debate lasting nearly an hour, the views of those who had voted changed to 69 per cent. in favour of staying in and only 31 per cent. in favour of pulling out.

During the debate, phrases such as, "aggression must not pay", "pulling out would be apocalyptic" and "we must reinforce the principles of the United Nations charter" were used. Those statements all seem to echo the public mood in Britain today. But best of all were the words of a mother of a British soldier serving in Gorazde. She said, "There is no shortage of military courage. What is now needed is political courage." I hope that the House will endorse that view.

10.31 pm

Mr. Tam Dalyell (Linlithgow): I am always suspicious when people such as the hon. Member for Romsey and Waterside (Mr. Colvin) talk about other people's courage. My Front Bench and some of my other colleagues will forgive me if I offer a dissenting view.

I am older than most people here and, for that reason, did national service and was tank crew. I hold the passionate belief that those of us who have the privilege to sit on green Benches in the House of Commons should not commit our fellow countrymen to hazardous situations unless they are properly protected. The fact is that they are now in a combatant role.

I am not complaining to the Secretary of State for Defence, but he was not here when my hon. Friend the Member for Stockton, North (Mr. Cook) said that these people are not abiding by anything like the Queensberry rules. It is a brutal situation. If our fellow countrymen are to be committed to a brutal situation, they really must have covering defence. That means, I suggest to the hon. and learned Member for Fife, North-East (Mr. Campbell), some kind of armoured protection.

If further action is to be taken, will there be armoured cover? If so, it is easy to put in forces, but we must be clear about the kind of circumstances in which they will be pulled out. We found that in Northern Ireland and the Russians found it in Afghanistan. Pulling out forces is a delicate, difficult matter.

Once we go into the Bosnian mire—it may be right or it may be wrong, I say to my hon. Friend the Member for Birmingham, Ladywood (Ms Short)—pulling out will not only be in my lifetime but in the lifetime, if we are not careful, of the youngest among us. That might seem like Cassandra, but I believe that that is the situation.

If more forces are put in and their role develops, whether they like it or not, into a combatant one, what is the Government's estimate of how long they will be there—we are talking in terms of decades—and are we sure that the British people have the will to carry on for decades? I do not think so. I was invited to a mess night at Catterick of my old regiment, the Scots Greys, now the Scots Dragoon Guards. Those people are serious soldiers and they would in all circumstances do their duty wherever they were sent, but they and the parachute officers who were there asked me as a politician how much support they would receive if their role became a

combatant one. After what we heard from my hon. Friend the Member for Stockton, North, who is to say that it is not now, de facto, a combatant role?

My second question involves the speech of the Secretary of State for Defence. I do not want to misquote him—he will interrupt me if I have in any way misinterpreted him or done him an injustice. I understood him to say that the Government were still contemplating the use of air power and that it might well be necessary. Indeed, when in Question Time I asked a direct question on air power, there was no denial. I take it from the Secretary of State's silence that the air option is open.

If the air option were used, what would happen to those of our fellow countrymen in uniform who are pursuing a humanitarian role? As soon as those aircraft began to drop bombs, what would happen to the men in blue berets on the ground? Slit throats? In the circumstances described by my hon. Friend the Member for Stockton, North, I think that they would meet a possibly brutal end. What would the House of Commons say then? In such situations, one has to look from the other side of the hill to see the dreadful scenarios that might develop.

By taking this attitude towards the Serbs—however brutal they may have been—we are risking defying reality. One of the realities was that Tito, during his troubles with Stalin, decided to have a deterrent. It was not a nuclear deterrent; it was training the most formidable, expert, tough guerilla army in the world. That is what had been learnt from the German occupation. In that terrain, how on earth are we ever going to have military success against people who feel that they have great causes? As my hon. Friend the Member for Stockton, North explained, that is true of both sides in the conflict.

The option I have described may seem not so much craven as that we are not fulfilling our duty, but we have many duties and international obligations. I wonder whether such wealth as we have to devote internationally should not be devoted to the drought in Zambia, which is creating terrible problems, or to the appalling situation that is developing in Malawi and Mozambique. If we are talking about saving lives, there are other places in the world where, instead of becoming involved in a civil war, we may be more effective in relieving great and equal hardship.

10.37 pm

Dr. David Clark (South Shields): As I look around the Chamber this evening, I see many familiar faces and one or two new faces on the Government Front Bench, which I am pleased to see. We listened to the words of the Secretary of State for Defence with great care today, and understood that he spoke with great moderation. I shall perhaps return to one or two of the things he said and question him in a moment or so.

I recognise faces because this is one of the many debates that we have had on the subject of Bosnia—from the days back in 1992, when we were talking about whether troops should be committed and whether we should play a part in UNPROFOR. We were pleased that the Government decided—we felt, rather belatedly—to play their part, and have done so fully.

Every one of the debates has shown the fervour and the passion across both sides of the House. There are those who feel that we should be doing more. If I may say so to my hon. Friend the Member for Linlithgow (Mr. Dalyell), there are those with more cautious heads who, based on experience, tell us to think twice. They have the experience of being in the military, and know how difficult it is when one takes such action. The Government have to try to put matters in the balance and work out the risks to which we are prepared to expose our troops, our men and women. They must also place in the balance the gains for the world.

I know that the House will appreciate that the Opposition have not tried to make political capital out of this matter. There is far too much at stake for that: we are debating the lives of our people. It is right for us to take that view, because, in a sense, we are fighting to try to ensure that the values of the House and of our country can be brought about in the troubled country of Bosnia.

Those are the values of tolerance and understanding, of living together free from religious persecution and ethnic intolerance. Therefore, although we have our disagreements and feel strongly about many matters, we should remember that we are fighting for values and to try to get aid through and create a stable society in Bosnia so that those values, which once almost existed, can flourish in a true democracy.

Anyone would have to have a hard heart not to be moved by the telling pictures on television of the refugees streaming out of Srebrenica into the airport at Tuzla. Those refugees are wretched, emotionally broken and in utter and complete despair. I am not making a racist point when I say that those people are like most of us—Europeans. They had saved for their houses, washing machines and cars, but suddenly they found themselves with a bundle of clothes—if they were lucky. Everything had gone, and one could not but recognise the dreams that had been shattered.

I hope that our intelligence forces and military personnel in UNPROFOR in the vicinity of Tuzla will collect evidence to make sure that the war criminals who have perpetrated such crimes will ultimately have it used against them. I urge that important point upon the Secretary of State, and hope that such action will be taken.

In a sense, the haunting television pictures showed the need for UNPROFOR. I watched television over the weekend, and saw the despair of people living rough. Then we saw the order of 48 hours later. A tented village around the airport enabled people to at least live under some cover, protected from the night and the midday sun. Only one organisation could provide such help, and that is the UNHCR working with the non-governmental organisations.

I can think of no better reason for being in Bosnia than the fact that the UNHCR provided succour for those refugees, and that UNPROFOR provided cover for the UNHCR. That was brought home to me when I spoke today to the representative of Oxfam. He was speaking to me at midday from a Land Rover at the runway in Tuzla.

I asked him to explain the situation, and he said, "There are thousands of people and hundreds of tents. When I look round, I see one group giving vaccinations and another providing food for mothers." They were keeping people alive, and that representative said, "Please tell the

[Dr. David Clark]

House of Commons to keep the British troops in UNPROFOR and in Bosnia, because most of us in the NGOs will have to withdraw if UNPROFOR withdraws."

Ms Short: Will my hon. Friend give way?

Dr. Clark: I am short of time, and I hope that my hon. Friend will forgive me if I do not give way. I want to make one or two military points.

It is important to keep UNPROFOR in Bosnia. Perhaps I could develop that. We should remind ourselves of the debt that we and the world owe UNPROFOR. We owe a debt to the men and women of 29 nations who have gone to Bosnia, risked their lives, and, in some cases, lost them—14 of them from our country. I am full of admiration for them.

People talk about armchair generals, and I guess that we have some of them, but how can one have anything but admiration for the Bangladeshis who were sent up to Bihac? They had to fight against the rebels and the Serbs. On occasion, they had to resist the BiH, and they had one rifle between four of them. That takes some bravery. Many other ordinary soldiers have had similar experiences. We should remind ourselves that the grief of a family in Bangladesh is just as great as the grief of a family in Wrexham.

We have a particular and especial responsibility towards Gorazde, and in particular to the Royal Welch Fusiliers stationed there. The right hon. Member for Conwy (Sir W. Roberts) referred to those troops. My right hon. Friend the Member for Llanelli (Mr. Davies) repeated his grave concern about whether those soldiers have adequate protection, and have been adequately protected. That concern extended to the Government's responsibility towards them.

I spoke to someone only today who came out of Gorazde recently. The Secretary of State for Defence knows how he and an entire group achieved that, but it would not be right and proper to go into details, because we do not telegraph our military operations to the other side. I agree with the right hon. Gentleman about that, and I shall not press him on operational matters.

We know that morale of the troops is still high; they are trained professional soldiers, and can cope with the problems they face. Their families in Wales and in other parts of Britain, however, are worried sick. Despite the brave words of brave people, most of the ordinary families of those 200 soldiers are looking to the Government to ensure that those soldiers are either sent reinforcements or relieved of their duties. Whatever the Government can do to ensure their safety and that of the refugees they are there to protect will have our full support.

I have no intention of discussing operational matters. I am more aware than most of the dangers in Gorazde. My hon. Friend the Member for Carlisle (Mr. Martlew) and I spent some time with the Muslims in that safe haven. We know about the configuration of the mountains and the bluffs. We know that the access roads are mined, and that the main access to the town is through tunnels controlled by the Serbs. We know that any helicopter that flies in is a sitting duck for any artillery on the hillsides. We know about all those difficulties, but we must work out ways to get the troops stationed there out or to send others in to protect them.

Many of us were delighted when the Prime Minister announced on 31 May that a more robust contingent of soldiers would be sent to Bosnia, which would be able to react quickly if our troops or any other UNPROFOR troops were under threat. Some of them went, but for many hon. Members and members of the public, the conundrum is what has happened to 24 Airmobile.

We were told that that elite force of 5,000 self-contained personnel from two or all three services would be a rapid reaction force. That was six weeks ago, but we understand that it will be at least another four weeks before that force is operational. We understand the difficulties. We understand that some of the engineers in that force are already in Ploce making the hard stands for helicopters.

Most of us cannot understand why it will take nearly eight weeks for one of our ace elite corps, which has a prime role as a rapid reaction force, to be deployed. Why has that deployment been so slow?

Will the Minister give us some information about, or will he deny, the story that it is now planned not to deploy the full complement? Will he deny that there are plans to deploy only a half or two thirds of 24 Airmobile? The House expects to have an answer to that, without the Minister having to go into any operational difficulties.

I think that we have made our view fairly clear. We still believe that our troops and those of the other 28 nations that have personnel in the former Yugoslavia are doing a worthwhile job. We believe that, if at all possible, they should remain there.

We equally believe that, if there is one cardinal lesson that we must learn from Bosnia, it is that we do not issue ultimatums, we do not issue threats, unless we have the capability and the intention to carry them out. We must create a state in which the Bosnian Serbs will go to the table with the Bosnian Government and come to a negotiated settlement. Until they do that, there will not be peace in that country. We believe that the presence of UNPROFOR is helpful in achieving that purpose.

10.50 pm

The Parliamentary Under-Secretary of State for Foreign and Commonwealth Affairs (Sir Nicholas Bonsor): It is obviously a great privilege for me to stand at the Dispatch Box; I only wish that there was a happier occasion on which I could do so. I hope that that will arise in due course.

The matter that we are discussing is obviously of great concern to both sides of the House and to every Member of it. I very much welcome the approach taken by the Opposition Front-Bench spokesmen, the hon. Member for South Shields (Dr. Clark), and the support that they have given the Government's policies. As the hon. Member for Livingston (Mr. Cook) said, this is not a proper occasion for party political differences. We must unite as a House to find the solution to this extraordinarily difficult problem.

Before I discuss that in more detail, I want to knock on the head something said by the hon. Member for South Shields. I assure him that there is absolutely no ground for any rumour that he might have heard that we plan to deploy anything less than the full 24 Airmobile Brigade. It is already being deployed. The plan is to deploy all the

troops that were originally announced, and that will be done as fast as is possible in the rather difficult circumstances that we face.

As the House knows, there is no easy answer to the problem. As my right hon. Friend the Prime Minister told the House yesterday, at present there are only three options. The first is escalation of the conflict, into a war in which we become directly involved. I do not believe that either the House or the British people wish us to take that course.

The danger to our troops and to the humanitarian aid people would be out of all proportion to any impact that we could make in finding a proper solution to the conflict. The second option is that we continue with the United Nations humanitarian and peacekeeping activities to the best of our ability. The third option is that we withdraw our troops.

The Government's preference is clear and unequivocal—we remain convinced that UNPROFOR has a key role to play, and we want it to stay. For as long as we are able, we must do all we can to alleviate suffering by ensuring that humanitarian aid gets through to those who need it. We must pursue vigorously all avenues towards a political settlement. The Government's efforts will be dedicated to that end.

In the rather short time remaining, I want to deal with the point that have been raised in the debate. First, however, I want to set out clearly why we believe that we should stay in Bosnia to do what we can.

First, the value of the work being done by our troops and those of our allies in the areas where they are deployed is invaluable. I had the great privilege, as Chairman of the Defence Select Committee, to go to Bosnia on three occasions. As the hon. Member for Stockton, North (Mr. Cook) said, our Committee went there and looked at the problem closely on the ground.

One of the things that struck me most was the value of the work being done, not only by our troops but by the Overseas Development Administration and all the volunteers who are working in that field. We went to several towns where the water and electricity would not have been working were it not for the British input to ensure that it did.

I have no doubt whatsoever that, in the British-controlled area, it is only the presence of our troops that prevents the renewal of the conflict between the Croat and Bosniac sides. Were that conflict to break out again—which it inevitably would if we were to withdraw—the bloodshed would escalate once again to the kind of levels that my hon. Friend the Member for Romsey and Waterside (Mr. Colvin) mentioned—130,000 dead in 1992, as opposed to 2,500 in 1994. We have a responsibility—the international community and we as a member of the Security Council have a duty—to do everything in our power to prevent such a tragedy from recurring.

The consequences that were also mentioned by the hon. Member for Livingston go beyond our activities in Bosnia. I have no doubt that, if the international troops withdraw, we shall find ourselves with a rapidly worsening problem in Croatia, where the Krajina Serbs are under continuing pressure from the Croatian forces. I believe that that would break out again into a major conflict.

Of course, we all know, and have discussed many times, the real danger of the conflict spreading well beyond the boundaries even of the former Yugoslavia, and threatening the whole of the eastern region of NATO. I do not think that that is a likely outcome, but it is one that the House must take into account when deciding what we should do.

I also believe that, were we to withdraw, Serb aggression would be greatly encouraged. I have no doubt that the presence of the Dutch, difficult though it was for them, in Srebrenica prevented a much worse massacre than that which I fear may have taken place. I think that our presence around Bosnia prevents not only the Serbs but all participants in the conflict from inflicting horrific injury and torture on each other.

The hon. Member for Stockton, North (Mr. Cook) made a very good point: this is not a one-sided conflict in which there are white hats and black hats at war. It is a conflict in which the depth of bestiality is incomprehensible in a civilised world, and it is not confined wholly to the Serbs.

Having said all that, it may be that we shall have to withdraw from Bosnia because there is a limit to the risk to which it would be right for us to expose our troops. That has been said by hon. Members of all parties, and it is a point which I can assure the House the Government consider seriously when trying to find a route ahead.

My right hon. Friend the Member for Witney (Mr. Hurd), who until recently was our Foreign Secretary, pointed out that we can operate in this theatre only with the consent of the parties. As the House will know, Mr. Sacirbey has recently indicated that he may wish us to withdraw. Whether that turns out to be a diplomatic manoeuvre or a genuine request, time will tell. Certainly, were we to be requested to withdraw, the Government's position and that of the international troops on the ground would become untenable.

As the hon. Member for Livingston also said, if it becomes too dangerous for whatever reason for our troops to remain in theatre, or especially if the embargo is lifted—meaning that the Bosnians could get an unlimited supply of weapons and thus escalate the conflict—it would not be possible for us to remain in theatre.

I deal now with four specific points that the hon. Member for Livingston raised. First, he asked whether there had been any intelligence report about what was happening in Srebrenica and, if so, why did we not respond to it? I am sure that Opposition Members know and understand that it would be wrong for me to comment from the Dispatch Box on intelligence or other information that we might or might not have received.

The hon. Gentleman also asked whether the Dutch troops had requested air support. I believe that that is the case; certainly it is essential and well recognised by the Government that we should rapidly review the procedures whereby air support can be called on. While I cannot tell the House the outcome of those discussions, I can assure the House that they are being pursued vigorously, and particularly with the potential need to call it in in support of the British position if necessary.

Mr. Dalyell: Will the Under-Secretary give way?

Sir Nicholas Bonsor: I am afraid that I cannot. I have only four more minutes, and I have a great deal to get through.

The hon. Member for Livingston asked why our troops are in such an exposed position without contingency plans. Again, I have to say to him, and I am sure that he will understand, that I cannot possibly discuss

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contingency plans—which may or may not have been arranged—in detail and in public. I assure the hon. Gentleman, as my right hon. Friends the Prime Minister and the Defence Secretary already have, that the safety of our troops is and will remain of paramount importance to our country, and the Government are deeply aware of our duty to protect our soldiers in the positions in which they find themselves.

The hon. Gentleman asked what use the rapid reaction force would have specifically, as it is clearly not there as a fighting force. There are two particular reasons why the rapid reaction force is there: first, to improve the protection of the convoys and the routes along which they travel, and indeed to improve the security of those areas in which our troops are deployed; secondly, to strengthen the position and safety of our own troops. As I said before the hon. Gentleman was able to return to the Chamber, we are deploying the full complement of 24 Airmobile Brigade and all those support troops which were mentioned in the original plan.

I turn now to matters raised by some other hon. Members. The right hon. Member for Llanelli (Mr. Davies) raised the question of the safety of the Welch Fusiliers, something on which several other hon. Members commented—not least the hon. Member for Stockton, North, whose son has served in Gorazde, and who knows it well. I understand that the right hon. Member for Llanelli has been briefed by my hon. Friend the Minister of State for the Armed Services, and I hope that he found what he was told reassuring. I cannot go into the detail, any more than I could before, about the plans being made in that part of the world, but I reiterate the concern of the Government for the safety of those soldiers.

My right hon. Friend the Member for Guildford (Mr. Howell), who has apologised to me for not being able to be in the House at the moment, raised the need for strategic thinking. He is, of course, quite right. The meeting on 21 July is aimed specifically at finding such a strategy, and it is very important that we do so.

The hon. and learned Member for Fife, North-East (Mr. Campbell) made much the same point, when he said that there was a need for clear political objectives, and that we must ensure that the military capability is matched to those objectives. That was undoubtedly a failing of the United Nations plan, and it must not be allowed to recur. I fear that I am running out of time, so I apologise to those hon. Members whose speeches I have not been able to deal with.

These are complex and difficult issues, greatly exacerbated by the tragedy and the appalling level of civilian suffering that we watch. We are determined to try to find a way to move matters forward, both on the diplomatic track and with regard to UNPROFOR's mission. It is to that end that we shall be working strenuously with our partners, not only in the meeting on Friday, but thereafter. The ultimate solution must be a diplomatic and not a military one, and the international community, despite all the difficulties, must strive to find it.

There is, however, a limit to what we can do. We have offered the parties to this conflict an opportunity—

It being three hours after it was entered upon, the motion for the Adjournment of the House lapsed, pursuant to order [17 July].

ROYAL ASSENT

Mr. Deputy Speaker: I have to notify the House, in accordance with the Royal Assent Act 1967, that Her Majesty has signified Her Royal Assent to the following Acts, and a measure:—

Appropriation (Northern Ireland) Order 1995
Criminal Justice (Scotland) Act 1995
Merchant Shipping Act 1995
Shipping and Trading Interests (Protection) Act 1995
Goods Vehicles (Licensing of Operators) Act 1995
Crown Agents Act 1995
Environment Act 1995
Pensions Act 1995
Geneva Conventions (Amendment) Act 1995
Sale of Goods (Amendment) Act 1995
Insurance Companies Reserves Act 1995
Landlord and Tenant (Covenants) Act 1995
National Health Service (Amendment) Act 1995
Olympic Symbol etc. (Protection) Act 1995
Licensing (Sunday Hours) Act 1995
Child Support Act 1995
Criminal Appeal Act 1995
Children (Scotland) Act 1995
Bell's Bridge Order Confirmation Act 1995
Sheffield Assay Office Act 1995
Birmingham Assay Office Act 1995
Church of England (Miscellaneous Provisions) Measure

EUROPEAN COMMUNITY DOCUMENTS

Mr. Deputy Speaker (Sir Geoffrey Lofthouse): With the leave of the House, I will put motions 11 and 12 together.

Motion made, and Question put forthwith, pursuant to Standing Order No. 102(9) (European Standing Committees),

Financial Assistance for the Environment

That this House takes note of European Community Document No. 7514/95, relating to the second phase of the financial instrument for the environment; and supports the Government's objective of ensuring that the programme incorporates measures for monitoring, evaluation and dissemination to improve value for money.—*[Mr. Wood.]*

Relations with Mexico

That this House takes note of European Community Document No. 4966/95, on relations between the European Union and Mexico; and supports the Government's view that this is a welcome development in relations between the European Union and Mexico.—*[Mr. Wood.]*

PETITIONS

Road Safety (Leicester)

11.4 pm

Mr. Keith Vaz (Leicester, East): The first petition concerns a crossing in my constituency on the junction of Hungarton boulevard and Steins lane. For many years, a crossing patrol operated on this dangerous junction. The local county council provided the resources for that crossing patrol. That crossing patrol was stopped but, as a result of a number of protests by local residents, including myself, there has been a temporary reinstatement of the crossing. Schoolchildren have to go past that junction every day to a number of local schools.

One thousand local residents have signed the petition, which concludes:

Wherefore your petitioners pray that your honourable House urges the Secretary of State for Education to allow Leicestershire county council to re-appoint a crossing guide on a permanent basis on this site, and your petitioners as in duty bound will ever pray.

To lie upon the Table.

Payphones (Leicester)

11.5 pm

Mr. Vaz: The second petition has been prepared by a number of local residents, especially pensioners, in the Goodwood area of my constituency. They have been trying to get British Telecom to provide a payphone service in the Goodwood area because they do not have a telephone service in their homes and they feel that it is an important local amenity. More than 200 people have signed this petition, which ends:

Wherefore your petitioners pray that your honourable House calls on the Secretary of State for Trade and Industry, to provide this service, and your petitioners as in duty bound will ever pray.

To lie upon the Table.

Housing (Hampshire)

Motion made, and Question proposed, That this House do now adjourn.—*[Mr. Wood.]*

11.6 pm

Sir David Mitchell (Hampshire, North-West): I thank the Minister for remaining at this late hour because I want to raise the matter of housing in Hampshire, principally because of the widespread and continuing concern in my constituency about the housing plans of Hampshire county council for 2001 to 2011. The county plan envisages 48,000 extra houses, which the county claims are required to meet need arising within the county, mainly because of the welcome fact that people are living longer and the unwelcome fact of an increase in the divorce rate, involving the division of households.

I do not want to make a party point, but I tell my hon. Friend the Minister that since political control of Hampshire county council changed, there seems to have been a sea change in attitude. The previous Conservative-controlled county council resisted the figures offered by SERPLAN—the south-east regional plan—covering the period ending 2001. Now the county seems gung-ho for higher numbers.

There are, however, new factors which should in some measure limit the need for so many new houses. First, there are approximately 26,000 empty houses in the county, many in military establishments. The Secretary of State for the Environment announced on 27 June, at column 689, plans to sell off surplus empty houses within six months of them becoming vacant. I warmly welcome that and congratulate my right hon. Friend and his Ministers on bringing forward the proposal. It should make an unexpected addition to the number of houses available in the county.

Secondly, the Labour party's abandonment of its threats against shorthold tenancies means that many more landlords can now feel reassured that they can get repossession if needed, without a political risk if there were to be a change of Government. This should encourage the owners of empty private accommodation to let it, knowing that if they need to, they can get it back.

Thirdly, I was delighted that the Secretary of State announced help for the Empty Homes Agency, which helps local authorities with schemes to secure the use of previously empty houses. These three measures should shrink that total of 26,000 empty properties significantly. It is little known, but there is an important allowance that provides encouragement to people to let a spare room to a lodger. Up to £3,250 can be charged, and that income is entirely free from income tax. May I encourage the Minister to take this concession off the secret list and publicise it widely? It has considerable potential for increasing the availability of accommodation for those in need.

There are factors which bear on the overall figures of housing needed in Hampshire. For example, the proposed concentration of new housing in northern Hampshire that is planned for Basingstoke and Andover. That development is concentrated on the northern part of the Test valley. The area is due to have 3,700 houses completed by 2001. By March this year, only 699 had been built. No one believes that 3,000 houses will be built in this area by 2001.

[Sir David Mitchell]

More land has been allocated to that area under the existing plan than is needed. I shall deal with the reasons for that, but the same reasons will continue to apply. That indicates that too much land is to be allocated for the period between 2001 and 2011 in this part of the county. There are important and serious side-effects from this allocation of land. If developers have a choice between urban renewal and a green-field site, they will choose what is for them the lower cost option of the green-field site.

The Government have a target that half of all new housing should be built in re-used sites. But if there is an excess of green-field sites on offer, that urban renewal will not take place. I make a plea to the Minister to give a lead. He must encourage not just demolition and rebuild in urban areas or infill building—building a second house in a garden—but the division of existing houses to cater for smaller households.

It is no use providing additional houses in one part of the county to meet a demand which arises at the other end of the county. There is no way in which Andover and the northern Test valley will generate the demand for the numbers envisaged in the proposed county plan. It is self-evident that extra households generated in the north-east of the county will not move some 20 or 30 miles west. So we shall have no pressure for urban renewal when there is an excess of green-field sites on offer. A new settlement further east—preferably with a rail connection—would be a more effective way of meeting the demand that will arise in that area.

Modern planning is based on the concept of people living near to their employment or near to a rail link. That employment—in Andover's economy—is good, although it is less buoyant than in Basingstoke. We still have more than 200,000 sq ft of empty industrial buildings, which reinforces the indication that new housing on the scale suggested for Andover is excessive and wrongly placed.

Finally, I turn to the environment, that most precious heritage that we have received and which we have a duty to pass on to future generations with the minimum of damage. We have north of Andover some particularly attractive villages. My hon. Friend the Member for Romsey and Waterside (Mr. Colvin), who is in the Chamber, lives at Tangley, but I was referring particularly to the villages immediately adjacent to the north of Andover—Penton Mewsey, Little London, Picket Piece and Smannell. They lie at the edge of an area of high landscape value, and it has always been understood and entrenched in the Test valley plan that there should be a strategic gap between these villages and the encroachment of Andover town. Alas, the gaps have been whittled away to next to nothing, and the green lungs of the estates of northern Andover and Charlton have been moved further away. I recognise the limit of the Minister's powers in relation to the plans of Hampshire county council from 2000 to 2011, but I hope that the county will rethink this part of its proposals and that such action will be endorsed by my hon. Friend the Minister.

There is another matter about which my hon. Friend can do something. I refer to research conducted by Leicester university on the housing needs of elderly people in rural areas. Retired people account for some 30 per cent. of rural households, and a substantial proportion have been living in rural areas for more than 20 years. Many, as they get older, will welcome the availability of sheltered accommodation; but very few want to move to such accommodation in towns or urban areas.

The answer lies in using the planning system to give those people what they want, which is sheltered accommodation in rural villages. There seems to be a planning policy vacuum. I urge my hon. Friend the Minister to investigate this opportunity to release family-sized rural housing for the younger generation. Perhaps he would like to discuss the matter with some of the housing associations that specialise in such issues: he might find it well worth talking to the English Courtyard association, a non-profit-making organisation, in view of its extensive research into the opportunity to help to deal with the housing needs of people in rural areas.

11.16 pm

The Parliamentary Under-Secretary of State for the Environment (Sir Paul Beresford): I am grateful to my hon. Friend the Member for Hampshire, North-West (Sir D. Mitchell) for raising an important subject. Experience shows that he is not the only person who is concerned about it; housing provision in structure plans always seems to be contentious in one way or another, both with regard to the amount of provision to be made and, more particularly, with regard to the location of new housing. Those who are likely to be affected directly by housing development may not be aware of, or may doubt, the need for such development.

My hon. Friend mentioned four ways of using vacant properties, and of making greater use of properties that are not fully used. They are no secret. I was well aware of the one with which he was particularly concerned some time ago; in fact it has been taken up, particularly in urban areas. I shall check the research done by specialist housing associations. I was very aware of those associations when I wore my previous hat; they have been very useful, and have provided opportunities in both rural and urban areas. Perhaps my hon. Friend will ensure that we have taken those points into account in the rural White Paper.

I understand my hon. Friend's concern, which reflects the anxieties of many of his constituents. They arise from the proposals outlined in Hampshire county council's consultation document, "Hampshire 2011", which reviews the Hampshire county structure plan. It identifies four areas of the county as the principal locations for major new housing development in the period up to the year 2011.

It would, I think, be useful for me to touch on the reasoning behind the figures, and the opportunities for protest and the making of adjustments. First, it is necessary for the county council to review the structure plan. The present plan, which was approved by my right hon. Friend the Secretary of State for the Environment at the end of 1993, makes provision for development only up to the year 2001. That means that there is uncertainty about the planning strategy for Hampshire after 2001. If the plan-led system is to operate successfully in Hampshire, there needs to be a clear, up-to-date strategic planning framework for the necessary development over a reasonably long time scale, as I believe that my hon. Friend accepts.

The starting point for the county council, in determining the level of housing and other provision to make in its structure plan, is the Government's Regional Planning Guidance for the South East, nicknamed RPG9, published in March 1994. The guidance covers the period 1991 to the

year 2006, and sets out indicative figures for the level of housing provision for Hampshire. That is given as 6,133 new houses per annum over the guidance period.

The calculation of the regional guidance housing requirement starts with my Department's household projections, which in turn derive from forecasts of the number of people likely to be living in the region during the period in question. The calculations made by my Department, in consultation with county councils, take into account such factors as the rate at which people are expected to form households, and social changes—which were recognised with what I would describe as a black look by my hon. Friend. There is a trend towards smaller houses. To be fair, the greatest trend is in the years from age 40 to demise, so it may not necessarily be a result of the divorce changes that my hon. Friend suggests. I wondered for a moment whether he was going to suggest that the county council had a hand in that, but he resisted it.

The level of housing currently proposed for Hampshire in the regional guidance reflects the need arising primarily from natural population growth in the county and is therefore largely aimed at accommodating the population already in Hampshire, plus their children. The household projections form the basis for assessing the total number of dwellings that will be needed in the region, and county councils are able to contribute to the process through SERPLAN.

Once there is a figure for the housing requirement, we ask SERPLAN to advise on how that requirement should be distributed throughout the region. We also take account of local opinions about the desirable balance between development and restraint. That was emphasised by my hon. Friend. We consider such matters as environmental constraints and the need to balance housing growth with the provision of jobs and services, in addition to market and economic demands and the broad aims of regional strategy.

All that shows that the housing requirement that county councils are asked to consider is neither an arbitrary figure imposed on them nor a matter of meeting unconstrained demand. My hon. Friend will be pleased to know that we do emphasise that the Government are firmly committed to the preservation of the countryside—obviously a matter of great importance, as emphasised by my hon. Friend.

We shall continue to emphasise the importance of making the best use of urban land for new development. When new land for development has to be found, local planning authorities must try to ensure that it is accommodated in ways that are sustainable and do not conflict seriously with the objectives of protecting and enhancing the countryside.

That is the process on which Hampshire county council is now embarked through the review of the county structure plan. In reviewing the plan, the county council needs to have regard to the regional guidance and also to other Government planning policy guidance set out in the planning policy guidance notes, but it will have its own opinions and will need also to take account of local opinions about appropriate locations for development.

The county council's initial consultation document has indicated what it considers to be the level of housing needed in the county up to the year 2011 and the way in which that can be best provided. At the same time, it must safeguard important environmental and other constraints. Those who disagree with the proposed strategy have been able to make their comments to the county council. The county council is now considering those comments and preparing a full consultation draft plan, which, I understand, is expected to be published in October. I suggest that a copy of today's *Hansard* may not do the council any harm.

When that draft is published, my hon. Friend and his constituents will have a full opportunity to make comments to the county council before the council makes its final proposals in the formal deposited draft plan, which is expected to be in spring 1996. At that stage, anyone who remains uneasy about the proposals will be able to make formal objections to the county council.

Although my right hon. Friend the Secretary of State for the Environment is no longer required to approve county structure plans, as those are now adopted by the county councils in the same way that the district councils adopt local plans, the Department will carry out a careful scrutiny of the structure plan proposals to ensure that they are broadly in line with Government policy guidance.

As well as considering the overall levels of development proposed, we shall want to see how far the strategy and proposals for the main areas of development reflect the principles in PPG13 for sustainable development, and especially the way in which it is proposed that major development will be located in relation to existing or proposed new public transport infrastructure, so that reliance on the private car can be minimised. I emphasise the importance that my right hon. Friend the Secretary of State attaches to that aspect of planning land use.

In addition to consultations that I have already mentioned, at the first draft and deposit draft stages there will be discussion of the key issues at what is called an examination in public. There will also be an opportunity for comment to be made at the modifications stage of the process, when the county council publishes the modifications it proposes to make to the plan in the light of any recommendations made by the examination in public panel. Those concerned about the proposals at any stage of the plan can take advantage of all of those opportunities for constructive comment to make sure that their points of concern are put to the county council.

I hope that what I have said will reassure my hon. Friend that there is a proper process and that there will be an opportunity to influence the figures and the location of future developments. There will also be ample opportunity to ensure that the points that he raised tonight and his constituent's concerns are fully aired and considered.

Mr. Michael Colvin (Romsey and Waterside): On a point of order, Mr. Deputy Speaker. As the Adjournment debate usually runs for half an hour, the time for debate is not due to expire until 11.33 pm. I did not seek to intervene on my hon. Friend the Member for Hampshire, North-West (Sir D. Mitchell) or my hon. Friend the Minister, but as the debate has concluded eight minutes before it was due to end I wonder whether it would be in order for me to put a question to my hon. Friend the Minister—

Mr. Deputy Speaker (Sir Geoffrey Lofthouse): Order. It would not be in order unless the hon. Member for Romsey and Waterside (Mr. Colvin) and the Minister had agreed to that course of action.

Question put and agreed to.

Adjourned accordingly at twenty-five minutes past Eleven o'clock.

CAMBRIDGE